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Chairman Hua Kuo-feng at his Peking news conference. At right is Foreign Minister Huang Hua.

OPEC Ends 2-Year Freeze, Raises Oil Price by 14.5%

ABU DHABI, United Arab Emirates, Dec. 17 (AP) — The Organization of Petroleum Exporting Countries decided today to raise the cost of a standard barrel of oil by 14.5 percent by October, 1979, ending a freeze on basic petroleum prices that OPEC had maintained for two years.

The rise will take place in four stages over next year, with the aver-

age increase for the year-long period working out to 10 percent. An OPEC communiqué warned that, if inflation and currency instability continue, cutting into oil states' revenues for their output, the cartel "will find it imperative to adjust fully for the effects of such inflation and dollar depreciation" in the future.

There was no official indication

of when such additional price adjustments might be made. The price decision, announced by OPEC Secretary-General Al Jaidah after a two-day oil ministers' meeting here, was presented by OPEC as a sign of moderation and goodwill toward other nations.

According to informed Communist sources here, an official document now circulating throughout China's vast Communist Party apparatus declares that it may take several generations before the two rival Chinese regimes can be replaced and, in the meantime, Taiwan will be permitted to retain its own economic and political systems.

The document, first distributed a week ago by the Central Committee, the policy-making body of the party, is being read over loudspeakers at thousands of factories, offices and communes, and has been hailed as the most sensible solution to the Taiwan problem, the sources said. The U.S. Consulate here has begun to detect references to the document in radio broadcasts from China's provinces, indicating that word of China's peaceful intentions toward Taiwan is reaching grassroots Chinese.

Mr. Hua has also intimated to the rest of the world that China has no military designs on Taiwan. In a televised press conference yesterday, apparently the first ever held by a Chinese official of his rank, Mr. Hua called on "our Taiwan compatriots" to join mainland Chinese "in making further contribu-

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On Role in Peace Talks

Israelis Angry Protest U.S. Official's Statement

TEL AVIV, Dec. 17 (AP) — The Israeli Foreign Ministry has expressed "serious protest and anger" over a statement it attributed to a senior U.S. official.

It did not name the official but said yesterday that he had claimed Israel "misled the world" about its position in the stalled Israeli-Egyptian peace talks.

Secretary of State Cyrus Vance was in Jerusalem Thursday to try to persuade the Israelis to accept Egyptian proposals. The Israeli Cabinet rejected them Friday and Mr. Vance returned to Washington empty-handed.

A Foreign Ministry communiqué quoted the U.S. official as saying Israel "misled the world with its contention that it was prepared to sign a peace treaty." It did not say where or to whom the statement was made.

The communiqué said the statement was unjustified because Israel had "decided to forgo its reservations about a draft peace treaty and expressed its willingness to sign without additions or amendment. Since then and until today, Israel repeatedly announced its readiness to do this."

Israeli Prime Minister Menachem Begin said Friday that the United States had taken a one-sided position favoring Egypt in the deadlocked talks. He said Egyptian President Anwar Sadat had made new demands — brought to Israel by Mr. Vance — that contradicted the agreements reached at the Camp David summit. Mr. Vance called Mr. Begin's statement disappointing.

At Camp David, Mr. Begin and Mr. Sadat agreed to sign a peace treaty by today. Mr. Vance's shuttle between Cairo and Israel was a last-ditch effort to bring the two sides together so that the date could be met.

Israel said it could not accept Egypt's demand to make the exchange of ambassadors conditional on setting up a Palestinian governing council or provide for an automatic review of security arrangements in the Sinai Peninsula after five years.

Despite the setbacks, officials in Israel and Egypt said they believe a peace treaty can still be signed. "It's not a catastrophe," said Chaim Herzog, Israel's former ambassador to the United Nations.

"It's a negotiation."

In Cairo, Egypt's acting foreign minister, Butros Ghali, told parliament: "Egypt is prepared to resume 'constructive negotiations' with Israel."

Meanwhile, Israeli Cabinet ministers said yesterday that the U.S. decision to establish diplomatic relations with China may adversely affect Mideast negotiations, the state television reported. The television quoted ministers as saying that Israel must reassess the U.S. ability to fulfill its treaty obligations.

21 Wounded in Bombing

JERUSALEM, Dec. 17 (UPI) — A bomb apparently planted by Arab terrorists on the original day for signing a peace treaty with Egypt exploded here today, wounding 21 persons. In Beirut, Palestinian commandos said they had wounded a large number of Israelis in Jerusalem today with time bombs.

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U.S. Ties Climax Intense Peking Debate, Policy Shifts

By Jay Mathews

HONG KONG, Dec. 17 (WP) — China's sudden agreement to full diplomatic relations with the United States climaxes a month of extraordinary debate in Peking and two years of dramatic shifts in Chinese foreign and domestic policy.

In a single stroke, the Chinese have cast aside their refusal to allow continued American arms sales and other guarantees of Taiwan's security in any normalization arrangement and have announced the first visit of a top Chinese Communist leader to Washington.

The decision opens the way for wide-ranging diplomatic, social and economic contacts between the world's richest nation and its most populous nation.

Coupled with China's recent landmark friendship treaty with Japan and an explosion of international trade and diplomatic contacts, the announcement of full relations with the United States and Vice Chairman Teng Hsiao-ping's scheduled January visit revealed a daring Peking decision to solidify ties with the West and build the Chinese economy regardless of socialist ideology and national pride.

The decision, apparently made at a series of top-level meetings in Peking in recent weeks, suggests that the Chinese are deeply concerned by reported Soviet efforts to bolster forces on the Chinese border, by Moscow's new ties with Vietnam, and by the growing Vietnamese assault on China's ally, Cambodia.

Violation of Principle

By accepting the continuation of U.S. arms shipments to Taiwan, Peking has essentially endorsed American intervention in what it considers a civil war — a violation of Chinese principle that many diplomats here hope no Peking government would ever sanction.

At a press conference held in Peking to announce the normalization decision, the Chinese Communist Party chairman, Hua Kuo-feng, repeated the usual Chinese contention that "we can absolutely not agree" to limited arms sales to Taiwan. But he indicated China's decision to tacitly allow the sales by saying that although "our two sides had differences on this point . . . nevertheless, we reached agreement on the joint communiqué."

The sudden turn of events is a triumph for Mr. Teng, who has pushed his pragmatic line in favor-

sign and domestic affairs since he returned to power in July, 1977, after his unprecedented second political purge. The decision also provides a major landmark in the new era of reforms that began in China with the death of Mao on Sept. 9, 1976.

Mr. Teng made the first move to improve relations with the United States when he invited President Richard Nixon to Peking seven years ago, but he never appeared ready for an agreement that is as

favorable to continued U.S. ties with Taiwan as this one.

The Chinese need American backing to discourage the Soviet Union from any serious border intervention while they build up their ill-equipped and undertrained armed forces. U.S. approval of sales of European arms to China would also help speed the strengthening of China's defenses.

Even more importantly, Peking needs American technology and financial resources to meet its goal of

full industrialization by the 21st century. Trade contacts have increased without normalized relations between the two governments, but full diplomatic ties — and what is expected to be a quick solution to a 30-year problem of frozen assets — will allow American banks to provide speedy loans and allow the Chinese to take advantage of lower tariffs and other benefits.

Every major Chinese change in domestic or foreign policy in the

last 30 years has brought some kind of significant adverse domestic reaction, however. The Peking government continues to complain of resistance to its new, pragmatic policies from officials who remain loyal to the ideals of national self-reliance and internal class struggle formalized by Mao.

If the government experiences any significant failure in its effort to increase overall living standards and food supplies and to lower the rate of population growth, holdovers from the Mao era will give nominal support for the government could rise again to challenge the turn toward pragmatism.

Age Is Factor

Mr. Teng is 74, his age, and the advanced age of many of his most capable allies among the veteran pragmatists in the government leaves some doubt as to future Chinese policy. Mr. Teng's nominal superior, Mr. Hua, has appeared to defer to him in most important domestic and foreign decisions in the last year, but Mr. Hua has indicated some opposition to the new scientific and technical elite that Mr. Teng wants to encourage in order to speed modernization.

Many of Mr. Hua's potential allies among holdovers from the Mao era have been purged from important provincial and central offices in the last two years, but it remains possible that they could rise again, just as Mr. Teng himself did after being purged twice by Mao.

At the same time, these sources say that they believe that the Russians would view with alarm any U.S. effort arising from normalization to begin arms or technology transfers to China in a major way.

"That's the bottom line for them," one source said. "It is something they have made quite clear on many occasions."

Anger at Japan

The Soviet attitude toward Peking has hardened this year in the face of continued Chinese successes in diplomacy and at the negotiating table. The principal cause of Kremlin anger and alarm this fall is the Sino-Japanese peace and friendship treaty, which contains an "anti-hegemony" clause that the Russians interpret as directed at them to blunt their legitimate attempts at influence in Asia.

The Peking-Washington communiqué has a similar anti-hegemony clause, pledging the two nations not to seek hegemony in Asia or elsewhere and to oppose similar attempts by any other nation. The Kremlin seems certain to view the clause as aimed at it and this may where the strongest Soviet reaction will come.

The normalization announcement indicates that the series of meetings at the Central Committee level that reportedly have been held in Peking in recent weeks have touched all major foreign and domestic problems.

The timing of the normalization decision suggests that an outpouring of wall posters in several Chinese cities, calling for reforms in foreign and domestic policy, may have been encouraged in part by Peking leaders who were seeking to persuade recalcitrant colleagues.

The normalization announcement also coincides with a period of great tension on China's border with Vietnam. Peking sternly warned Hanoi last week of serious consequences if it continued to make short raids into China. Vietnam has replied with allegations of Chinese incursions into its territory, and there have been reports of military preparations on both sides.

"This was a strategic development in its own right," Zbigniew Brzezinski, Mr. Carter's assistant for national security, said in an interview. "It was not directed toward the Soviets or anyone else, but was designed to accomplish our objective of shaping a more open, pluralistic international system."

On the strategic aspects of the new relationship with China, a senior Defense Department official told reporters yesterday that it would clearly help the national security of the United States and enhance the situation of U.S. forces in the Western Pacific. This view was shared by the Joint Chiefs of Staff, he added.

The official said an overriding consideration in agreeing to normalize relations with Peking now was the administration's view that it would be much more difficult to accomplish at some future time if China's relations with the United States were to deteriorate or if China's relations with the Soviet Union were to change.

Summit Press

One of the chief factors driving Peking to complete talks on normalization, State Department officials said privately, was the likelihood of a Carter-Brezhnev summit early next year. They said Mr. Carter's invitation to Teng Hsiao-ping to visit Washington next month, which was evidently issued at a crucial point in negotiations earlier last week, may have had a decisive impact on the Chinese decision to accept his terms for normalization.

The officials also said that formal ties between Washington and Peking would be bound to affect Moscow. But rather than upsetting U.S.-Soviet ties, several aides predicted that the new developments

would fall into place within the last 10 days.

On the U.S. side, there has been a strong interest for some time in reaching normalization with the Chinese — both to enhance the U.S. position in Asia and as a

counterbalance to the Soviet Union.

Earlier in the evening, administration officials confirmed that Treasury Secretary Michael Blumenthal would be traveling to China shortly for a broad discussion of financial and trade matters. Among the subjects on his agenda will be the complex problem of the Chinese and U.S. assets that have been frozen in the two countries since 1950. These would have to be freed as part of the normalization process.

The United States claims that about \$200 million worth of U.S. assets in China were seized at the end of the civil war. China is seeking about \$80 million in blocked assets.

\$300-Million Project

On Weather Begun

WASHINGTON, Dec. 17 (AP) — A \$300-million project to improve weather forecasting in the next decade is under way, according to Richard Frank, head of the U.S. National Oceanic and Atmospheric Administration.

Mr. Frank said the project, begun Dec. 1 and involving 147 countries, would concentrate on the tropics and the vast oceans in the Southern Hemisphere. The project would go on until Nov. 30 and will use four polar satellites, 50 ships, 110 aircraft, 500 high-altitude balloons and 300 buoys. The data will be processed in several countries

and weeks ago.

OPEC Raises Price of Oil by 14.5%

(Continued from Page 1)

half-way between the appeals of Saudi Arabia, Kuwait, the United Arab Emirates and other moderate nations for a price increase of about 5 percent, and the demands of such pricing "hawks" as Iraq and Libya for 25-percent increases.

The ministers lashed out in their communiques at the wasting of oil, and the oil minister of the United Arab Emirates, Sheikh Mana Said al-Otaiba, said that "I feel very strongly that oil is not the way of cheap fuel." He added, "Oil is not used in the best way and the source

of energy in the very near future is very limited."

Mr. Otaiba said the increase decided on today "was very reasonable and gradual." OPEC nations have seen their balance-of-payments surplus dip from \$6 billion in 1974 to an estimated \$1.5 billion for this year. While all OPEC countries had a surplus in 1974, after quadrupling of world oil prices in the 1973-74 period, the eight most populous nations are expected to have a deficit of a half-billion dollars in 1978.

WEATHER

Anticipating considerable congressional opposition to the abrogation of the 1954 mutual-defense treaty that has bound the United States to Taiwan, the Carter administration had hoped for an on-the-record promise from Peking that Taiwan would not be liberated forcibly.

The Hu regime balked at that out of national pride and apparently some concern that such a promise would antagonize a powerful faction of the Politburo, led by military figures such as Vice Chairman Yeh Chien-ying and Defense Minister Hsu Hsiang-chien.

"The trouble is," Mr. Sharif-Eimami added, "people don't believe it yet."

The OPEC decision fell roughly



Peking residents clamor for copies of People's Daily announcing U.S.-China relations.

Officials Call China Decision Landmark

(Continued from Page 1)

Bob Dole, R-Kansas, that the announcement of diplomatic ties with Peking was timed by the White House to offset the new problems that have emerged in efforts to reach a political settlement in the Middle East, but this was strongly denied by White House officials.

"The process of reaching an agreement had a momentum of its own," said a senior White House official. "It was unconnected with domestic considerations and was brought about by the decision of the Chinese to accept our terms for the establishment of relations."

Officials noted two primary benefits of normalization: It would enable the United States to rapidly establish strong trade and technological links with China and at the same time give the United States greater diplomatic flexibility in East Asia and worldwide.

Timing Said Unconnected

They also predicted that the step would not worsen ties with the Soviet Union nor interfere with efforts to conclude quickly a strategic arms agreement with Moscow. And in emphatic terms, the aides emphasized that the timing of the decision was not connected with a possible summit meeting early next year between Mr. Carter and Soviet President Leonid Brezhnev.

"This was a strategic development in its own right," Zbigniew Brzezinski, Mr. Carter's assistant for national security, said in an interview. "It was not directed toward the Soviets or anyone else, but was designed to accomplish our objective of shaping a more open, pluralistic international system."

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U.S. to Recognize China, Drop Ties With Taiwan

(Continued from Page 1)

situation could be resolved peacefully, were an indication of their intentions.

The officials also pointed out that the United States would retain the right to maintain a full range of cultural and economic ties, including the supply of defensive arms after the formal termination of the mutual-defense treaty at the end of 1979.

U.S. Concession

They also cited as a Chinese concession the agreement to exchange full ambassadors in March, before the formal termination of the U.S.-Taiwan defense treaty. Previously, the Chinese had said they would never do this.

The major U.S. concession in the agreement, however, was its willingness to sign without an explicit guarantee that force would not be used to retake Taiwan.

In his speech, Mr. Carter made special mention of the key roles played in the "long, serious negotiations" with the Chinese by his predecessors, Presidents Ford and Nixon.

Aides to the president said that the final push to complete the protracted negotiations had come from China, and that the details of the agreement had fallen into place within the last 10 days.

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he said that the real buying power for producer countries of each barrel of their oil has declined 38 percent in the last two years. The OPEC communiqué said the cartel had agreed to cover only part of its losses through the new increase "in order to assist the world economy to further growth and also in order to support the current efforts toward strengthening the U.S. dollar and arresting inflationary trends."

There was no precise way to predict how the increase will affect prices for petroleum products in industrialized countries. Some specialists have warned that the price of U.S. gasoline could eventually reflect the whole size of the decision here, a rise that would eventually raise the price of a 60-cent gallon of gasoline to 68 cents.

In Western Europe, the effect on gasoline prices is expected to be smaller because about 80 percent of petrol prices there is accounted for by taxes, rather than by the cost of the original oil. But it was impossible to calculate precisely how the decisions here will affect any consumer prices because of the numerous middlemen, transportation and variable labor costs in the oil industry.

The Hu regime balked at that out of national pride and apparently some concern that such a promise would antagonize a powerful faction of the Politburo, led by military figures such as Vice Chairman Yeh Chien-ying and Defense Minister Hsu Hsiang-chien.

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To Justify Arms Sales

Soviet-Taiwan Tie Hinted By Carter in China Talks

By Don Oberdorfer and Edward Walsh

WASHINGTON, Dec. 17 (WP) — President Carter told a Chinese emissary in the Oval Office on Sept. 19 that the United States intended to continue supplying arms to Taiwan indefinitely as a contribution to Asian stability and to forestall developments that would be undesirable from the viewpoint of both big powers.

Mr. Carter did not spell out the obvious danger of a future Moslem-Taiwan military relationship in his talk with Chia Tse-min, newly named chief of the Chinese Liaison Office, according to informed U.S. officials, but there was little doubt among those officials that Mr. Carter's point was understood by the Chinese.

The president's justification for continuing U.S. arms sales to Taiwan, one of the most delicate and difficult issues in almost six months of secret negotiations with Peking, was disclosed yesterday as Carter administration officials described how the normalization of diplomatic relations with China — announced Friday night — evolved and where it may lead.

Other Developments:

- A senior Defense Department official said that military analysts do not believe China could invade Taiwan successfully for at least five years, and that the analysts do not believe that China has any intention of launching such an invasion.

U.S. Statement

Second, the United States insisted on stating that it "continues to have an interest in the peaceful resolution of the Taiwan issue and expects that the Taiwan issue will be settled peacefully by the Chinese themselves." Another part of this arrangement is that the Chinese would not make any statement contradicting the U.S. stand.

Third, and perhaps most difficult, the United States insisted on continuing the sale of arms to Taiwan even after normalization of relations with Peking and termination of the military pact with Taiwan.

- A senior administration official said the China move probably would mean a net gain in the Senate for the expected Strategic Arms Limitation Treaty with the Soviet Union. The official said that the United States still hopes that Soviet leader Leonid Brezhnev will come to Washington to sign a completed SALT treaty in mid-January, before the Jan. 29 visit here of Chinese Vice Premier Teng Hsiao-ping.

Most attention in Washington yesterday centered on the arrangement.

In 1975 San Francisco Election

Jones Allegedly Organized Busloads of Illegal Voters

By John M. Crewdon

SAN FRANCISCO, Dec. 17 (NYT) — Determined to help elect politicians friendly to his Peoples Temple, James Jones ordered what former cult members say was an organized campaign of fraudulent voting practices that included importing busloads of illegal voters to cast their ballots in this city's 1975 Municipal Elections.

Among those named by some of Mr. Jones' former followers are relatives of his political support, Mayor George Moscone and supervisor Harvey Milk, both of whom were shot and killed in their Hall offices three weeks ago, allegedly by a former city official, the police have said that the shooting was unrelated to the Peoples Temple.

The alleged voting fraud is under investigation by Mr. Freitas. False voter registration in California is a felony punishable by up to four years in prison.

Out-of-Town Voters

One former cult member, Neva Stoy, said that her husband, Don, had driven busloads of cult members here to vote from Redwood Valley, Mr. Jones' settlement in northern California, and also from his cult's branch in Los Angeles. She and other out-of-towners, Mrs. Stoy, were previously registered at the addresses of cult members living in San Francisco.

Don Sly, the man identified as having held a knife to the throat of Rep. Leo Ryan at the cult's Guyana commune a month ago, is among those unaccounted for in the aftermath of Rep. Ryan's murder and the Jonestown Guyana, suicide ritual in which Mr. Sly and more than 900 of his followers died.

Wanda Johnson, who resigned from the cult in 1976, described Mr. Sly as the head bus driver and said that, in addition to those he transported, hundreds of other members living secretly at the San Francisco temple in violation of health and welfare laws had also been registered at addresses around

the city.

Kay Henderson, who belonged to the cult from 1971 until 1975, said that several members who had never lived at her San Francisco home had been registered to vote at

United Press International
Mayor Dennis Kucinich unsuccessfully urges City Council to approve fiscal rescue plan.

\$15.5 Million in Loans Unpaid

Cleveland Defaults as Deadline Passes

By Reginald Stuart

CLEVELAND, Dec. 17 (NYT) — This city went into fiscal default yesterday when its government failed to repay \$15.5 million in loans to a group of local banks and the city treasury.

As Friday's midnight deadline for repayment of the loans passed, the City Council had not acted on the fiscal rehabilitation plan proposed by Mayor Dennis Kucinich. Operating under parliamentary procedures that prohibited a formal vote on the mayor's plan, the council adjourned at three minutes past midnight without considering the proposal.

Mayor Kucinich and his staff began preparing plans yesterday to lay off 3,000 to 5,000 city employees, beginning tomorrow, to conserve the city's limited supply of cash.

The crisis is a result of the city's shrinking income compared with the cost of operating government and, say financial experts, improper management of its funds in the past. The city anticipates a deficit this year and next year, has a \$52 million bond deficit and has \$40 million in short-term loans due within the next 12 months.

"There's no way that layoffs can be avoided," the mayor said yesterday.

"We're at the confluence of a number of events — default, anticipated demand of debts from creditors, and inability to issue bonds and no rescue plan approved," the mayor, a Democrat, said. "Those interlocking elements have placed the city in a position where it is impossible to maintain thousands and thousands of city employees." The city employs a total of 10,000 workers.

Political Battle

The council members had gathered at City Hall Friday for an 11 p.m. emergency session called by the mayor who was seeking to surmount stiff council opposition before the deadline, which had been set by the bank creditors.

Despite the emergence of numerous plans and proposals, alternatives and options, a political war pitting the mayor against the majority of the City Council and much of the business community failed to subside in time for the three groups to agree on some plan that would have provided for payment or refinancing of the \$15.5 million as well as other loans that fall due next year.

Fiscal default, a term generally used to describe the point at which a city fails to pay fixed debts on loans or bonds on time, could have grave implications for this once-thriving industrial city of 650,000 persons, the largest city in Ohio. It does not necessarily mean that bankruptcy is imminent. Neither the city nor its creditors have sought court intervention in the city's affairs for settling its debts.

Although many of those who followed Mr. Jones' orders Friday night expressed shock and dismay that Cleveland is the first major U.S. city to default since the Depression, the prospects for this happening have been selling for several weeks.

There were many issues that created the political ill will among leaders here and that eventually frustrated the prospects of agreement on fiscal rehabilitation that would have the backing of bank creditors. Symbols of those differences was a lingering dispute over the antiquated and debt-ridden Municipal Electric Light Plant, which the city owns.

The bankers and council members wanted any rescue plan to include the sale of the plant, and the mayor refused to go along with it. The council members and the business community cited the plant as a worthless drain on the city. The mayor used the plant as the cornerstone of his "urban populism" policies by insisting on keeping it as a check on private power.

The pressures to force the 32-year-old mayor's unyielding hand have been intense. A group of City Council members took the mayor to court two weeks ago seeking a court order for the mayor to sell the Municipal Light Plant in accordance with a 1977 ordinance to that effect.

After he assumed office, however, Mr. Freitas was among those who attended a testimonial dinner in Mr. Jones' honor, and last year the People's Temple sent a check for \$400, drawn on its own account, to an organization calling itself the Friends of Freitas.

Friday night, the stakes grew higher when the Cleveland Trust Co., the city's biggest bank and one that balked at the mayor's fiscal rescue program, offered to buy \$30 million in bonds from the city if the mayor would sign a City Council-sponsored resolution that provided

fiscal rehabilitation for the city tied to the sale of the light plant.

The mayor, however, denounced the banks and the council for making such a proposal, calling it "blackmail."

There were these other developments:

• Mr. Kucinich, in a last-ditch attempt to stave off default, called the White House yesterday asking for an advance on the city's federal revenue-sharing funds. The request was rejected as "impractical," according to a highly placed administration official.

The general feeling in Washington, both in the administration and

outside, was that the city treasury

had no money for an "early filing" of an official presidential candidacy.

Mr. Kucinich had said yesterday that Tom Moyer, assistant to the governor, was monitoring the developments here but had no action plan. Gov. Rhodes is on Christmas vacation in Fort Lauderdale, Fla., and the state constitution prohibits the state from interfering with the affairs of a chartered city, which Cleveland is, without being asked.

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The China Agreement

We do not pretend to comprehend the full implications of the agreement that has now been reached to establish full diplomatic relations between the United States and the People's Republic of China. Surely the test of it will lie not just in some larger geopolitical striking of balances between the world's great powers but also in the very specific matter of the fate of 18 million people on Taiwan. The critics have already zeroed in on the Taiwan question, and with good reason: The American commitment to the Taiwanese is of long standing. It is moral, not just legal. And other countries heavily dependent upon America's goodwill and good word have reason to concern themselves with the manner in which this country, in its future and expanded relations with Peking, holds fast to its obligations to Taiwan.

That said, it needs to be quickly added that there is a compelling logic to what President Carter has done to establish full diplomatic relations between Peking and Washington. This is basically what was contemplated when President Nixon made the first big breakthrough in 1972 and President Ford followed it up with his own visit to Peking. The only questions were when, on what terms, and to what purpose? So we begin with: Why now? And the answer seems to be that, from Jimmy Carter's point of view, an improved opportunity was there. He had let it be known last year that he was ready to proceed. But only in the past few months did it become apparent that authority in China seemed to be passing into the hands of a more outward-looking leadership, willing to modify its harsh terms vis-a-vis Taiwan in return for a rich variety of relationships with the West.

And so, in hard bargaining over the past few weeks, a deal was struck. On the issue of Taiwan, Peking's concessions may not look impressive. The United States will "termi-

nate" relations at the end of a year in accordance with a treaty provision, rather than abrogate the treaty. There is provision for American arms transfers, even after the termination of official relations. Cultural, commercial and even consular relations would be continued under legislation that the administration will send to Congress next year. And there is at least some sort of implicit acknowledgment on the part of Peking that the United States, while accepting that the resolution of the Taiwan issue is to be an internal concern of the People's Republic, does not expect that the jurisdictional question will be resolved by force.

The value of vitality of any of these conditions and terms depends, of course, on what it is the Chinese really want — and how badly they want it. The calculation the president clearly made was that the People's Republic is serious about its new desire for strengthened economic and political relations with the West in general and the United States in particular. And if this is so, it would seem to follow that Peking will not deal with Taiwan in a way that it must know would jeopardize these expanded relations. Mr. Carter must also have obviously calculated that a strengthened bilateral relationship with the Chinese would be an extremely useful element in his dealings with the Soviet Union.

It is a gamble, and not just in highly complex geopolitical terms. It is also a very big gamble in domestic political terms at a time when there is considerable anxiety, and not just on the far right, about Jimmy Carter's handling of SALT negotiations and his capacity to manage a SALT-2 agreement. So this took some political courage as well as adroit diplomacy on Mr. Carter's part. Time will tell whether it pay off.

—THE WASHINGTON POST.

Patience, and Trust, in Mideast

Egypt and Israel have lost an intangible part of their historic peace by failing to sign a treaty before today, as they agreed at Camp David to try to do. Their hitherto patient broker, President Carter, is justly annoyed. Unjustly, he blames only Israel.

All that is left in dispute are a few largely semantic and symbolic points. Israel could well yield on all of them without significantly altering the shape of the peace at hand. But so could Egypt. And the obviously desirable final compromise will be more difficult as long as the United States stands with one side. Indeed, this treaty will survive the inevitable disputes of interpretation only so long as the American president is trusted by both sides as an impartial court of last resort. No momentary frustration should be allowed to diminish that trust.

Everything now seems to turn on a single question: When and under what conditions, will the first Egyptian ambassador arrive in Israel?

Trivial, perhaps; the treaty in any case binds Egypt to establish diplomatic relations with Israel as soon as the first stage of Israel's withdrawal in the Sinai is completed — in less than a year. Ambassadors come and go rather freely as diplomatic relations warm and cool; the envoy here in dispute could be withdrawn the day after he presents credentials. But President Sadat now asks a treaty right to withhold this last symbol of peace if Israel fails to meet a target date for Palestinian self-rule in the West Bank and Gaza. He wants, in short, a tangible link between the Egyptian-Israeli peace terms and the pace of negotiations that will vitally depend also on Jordan and the Palestinians.

A suspicion that Israel may drag its heels in future West Bank negotiations is not unreasonable. But neither is the Israeli suspicion that the peace proffered by Sadat will disappear as soon as Egypt regains the Sinai, or if Jordan and the Palestinians fail to negotiate them fast.

— THE NEW YORK TIMES.

International Opinion

U.S.-China Ties

The setting up of diplomatic relations between America and China is an event of immense significance and hope for the world. The suspicion, hostility and, on occasion, near war between these two great countries was a constant menace to peace for almost three decades. A growing partnership between China and America and the other nations of the West would create a balance of power that the ambitious monolith of the Kremlin would not dare to disturb.

The American name on the agreement will be that of President Jimmy Carter. The world

owes him a debt of gratitude. But should not someone else be remembered? In 1972 another American president risked unpopularity and hostility within his own party and embarked on a momentous, courageous visit to China. The same man has since been disgraced. Wherever he goes, there are crowds of demonstrators to scream insults. But long after the shame of Watergate is forgotten it might well be that Richard Milhous Nixon will be remembered as a leader who did more for peace and understanding than any other American statesman of the century.

— From the Sunday Express (London).

In the International Edition

Seventy-Five Years Ago

December 18, 1903

NEW YORK — The New York Herald commented in an editorial: "Now that doctors have discovered that the brain can get tired just like any other bodily organ, we expect certain people to say that they are right in following their emotions, and not thinking so much. Well, we must not blame the poor brain for everything, even for too deep thought. No one has been known to have been hurt by thinking too profoundly — except for a certain class of politicians — while on the contrary countless numbers have been benefited when the thought was worth anything."

Fifty Years Ago

December 18, 1928

LONDON — With all direct communications with Kabul, capital of Afghanistan, cut off, reports coming from the beleaguered city indicate an increasing intensity in the uprising against King Amanullah, which is endangering his life and the lives of foreign residents. The rebels, who are protesting the king's Western innovations in this remote kingdom, have forced the king and queen to take refuge in a fort in Kabul. The rebels also have surrounded several outposts of loyal governmental troops. All negotiations have ended as the revolution engenders its own momentum.



Recession: It Isn't Inevitable

By Joseph Kraft

WASHINGTON — On the economic front, the administration had a relatively little noticed but stunningly good piece of news last week. An unexpected rise in retail sales figures confirmed the view of the president's advisers that the recovery is still moving along briskly and that a recession is not yet in sight.

Mr. Carter's advisers have been predicting that the final quarter of this year would show a rise in overall economic activity of about 3.5 percent. They have based that view on a wide variety of indicators.

Their confidence has been strongly fortified by the continuing rise in employment — up by 375,000 jobs in October and by nearly half a million jobs in November.

Most private forecasters have seen growth in the final quarter below 3 percent, with a recession sure for 1979. Those pessimistic views have found support in industry's conservative plans for future investment. The Commerce Department, on Dec. 7, released its survey of planned spending for plant and equipment in the first half of next year. That usually reliable report projected an increase of only 8 percent — which, when corrected for inflation, is now growth — the next year.

The theory comes up for a test in negotiations now under way for a new Teamsters contract. Nobody can foretell the outcome. But the industry clearly does not want a strike. The union has important bargaining power. So the administration will have to press hard for observance of the guidelines if it wants to deal Chairman Miller the cards he needs to persuade his colleagues on the Fed against the further rise in interest rates apt to bring on the recession that is not truly inevitable.

Budget Battle

That fair prospect puts the president on high ground in the battle of the budget. If, as he pledged, Mr. Carter is to drive the deficit in the coming budget below \$30 billion, accordingly the council does not project a recession — as least as measured by the conventional definition of two successive quarters of no growth — the next year.

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In those uncertain conditions, government economists looked nervously to the retail sales figures that came out last Tuesday. A drop, which many feared, would show that while employment was surging and production on the rise, goods were merely piling up on shelves. That accumulation of inventory in the face of consumer resistance is one sure signal of recession to come.

As it happened, however, the retail sales figures exceeded expectations. November sales were up 2 percent over the previous month and 11 percent over the past year. The figure for sales in October was revised upward from a drop of one-half a percentage point to an increase of 1.3 percent.

On the strength of that showing,

the 7 percent level, prices would rise less than 6 percent and inflation would gradually tail off.

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Trouble Abroad

Abroad, he seems to be in even more serious trouble. After all his efforts to produce a compromise in the Middle East, the Israelis are sore at him and vice versa, and President Sadat of Egypt is disappointed in him for continuing to insist on a peace deal. The Soviets are not really believe in.

Further increases in interest rates would surely have an adverse effect on housing and other items bought on credit. Combined with cuts in federal spending, additional interest rate increases could bring on a recession.

Chairman William Miller of the Fed has signaled very clearly that unlike some of his colleagues on the board — he would not welcome a recession to cool off the economy.

But even he will have to go for higher rates, unless he sees other signs of restraint in the economy.

The great hope is that respect lies with the wage-price guidelines.

The administration developed the guidelines as a way to prevent labor and industry from getting together on new wage contracts bound to kick prices even higher.

The theory was that if wages could be held to

reaches for the trade and technology of the advanced nations, nobody is going to be more eager than American business leaders, most of them Republican, to do business with China, the largest potential market in the world today.

False Arguments On Southern Africa

By Stanley Hoffmann

CAMBRIDGE, Mass. — Big guns are firing at the Carter administration's policy in southern Africa. We are being told that it embraces radical forces instead of creating moderate alternatives and that it plays into the hands of the Russians and Cubans, who are arming the radicals. The administration, the critics say, fomented war between blacks and whites and fails to stand up to the Reds.

These arguments are false. In Rhodesia and Namibia (South-West Africa), the policy consists not in backing one side against the other but in advocating peaceful solutions based on elections in which all factions would participate, and on negotiations between forces that support the solutions advocated by Prime Minister Ian Smith and the South Africans and groups that have so far rejected these proposals as disguised for the perpetuation of white rule. Those who would like the United States to endorse Mr. Smith's internal settlement in Rhodesia are the ones who stand to lose.

This will require them to recognize that the only alternative to concession is disaster. Despite sanctions, this has not yet happened in Rhodesia, and later in that of South Africa itself, it is unlikely to happen without stringent Western sanctions, which many Americans will resist. Meanwhile, opportunities for Soviet and Cuban influence persist. Once more we find that although the stakes are huge, our means are limited and the wisest course is narrow.

The Critics' Logic

And yet any other course would be worse. While the United States may fail, it would at least avoid antagonizing the black states, front-line or not (like Nigeria), that have approved the present U.S. policy. Critics of the policy would like the United States both to press Salisbury and Pretoria less vigorously and to be more alarmed about Soviet and Cuban penetration, as the latter were not the result of the U.S. failure to press sufficiently hard earlier, in the days when Mr. Kissinger and Richard Nixon tilted toward the white regimes.

The critics' logic, if it were followed, would leave the United States with no other allies than handful of conservative African regimes (some of which are liable to self-interest but because they are friends or conservative but because of their internal condition) or the president of France (whose policy in southern Africa is, however, not so different from that of the United States and bearing the abhorrence of past and lasting connections with South Africa). Those who fear Soviet domination and want peaceful solution should support the present course.

Stanley Hoffmann, professor of government at Harvard, is a guest columnist. He wrote this article for The New York Times.

No Happy New Year for Carter

By James Reston

WASHINGTON — Jimmy Carter, if he's lucky, may have a Merry Christmas, but he is clearly not going to have a Happy New Year. By his recognition of Communist China, he has guaranteed himself the most formidable assortment of political opponents at home and abroad since Franklin Roosevelt.

At home, his 1979 budget, with his emphasis on austerity, has troubled the Democratic liberals, the labor union leaders, the big-city mayors, and the blacks — without consoling the bankers, the real estate dealers and other big-business operators, who are not annoyed by current high interest rates and double-digit inflation.

SALT Support

Carter will have a harder time with his Strategic Arms Limitation Treaty, expected to be signed soon with the Soviet Union. He does not need the support of the Congress to "recognize" China — how can you fail to "recognize" 800 million people? — but he does need the votes of two-thirds of the Senate for a strategic arms treaty and he clearly does not have such support now.

Yet even on this emotional issue it will not be easy and may be politically dangerous to vote against the president's effort to slow the arms race.

His problem is that he will be fighting so many major battles at the same time through the rest of his term in office that all the special interest groups may combine against him. But he has chosen his issues rather shrewdly.

Those who oppose his anti-inflation policies, his China policy, his arms-control policy, and his Middle East policy oppose him with a vengeance, but they are minorities and are not likely to be able to form coalitions large enough to defeat him.

For Big Labor may try to block him on the budget and even on SALT, but it is not likely to oppose him on China, especially since the key U.S. figure in the "recognition" negotiations was Leonard Woodcock, former head of the United Workers union.

Even his long and often acrimonious debate with Prime Minister Begin of Israel, now more intense than ever, is not likely to involve many votes on other and separate issues. By his protracted efforts to bring about a compromise in the Middle East, Carter has often been in danger of infuriating both Jews and the Arabs, but the majority of Congress has now turned in his favor and against the position the Begin government.

Determined

In short, Carter will certainly be the target of bitter — probably organized lobbies in the nation. He is emerging at the halfway mark of his term as a determined president who is willing to challenge the assumptions of the past even if it means breaking with powerful institutions within his own party.

What he has lost with the lobbies he has probably gained, and may in popular support. He may not cut many of his friends, but he has probably increased his influence both at home and abroad.

The International Herald Tribune welcomes letters from readers. Short letters have a better chance of being published. All letters are subject to condensation or space reasons. Anonymous letters will not be considered a publication. Writers may request that their letters be signed or with initials but preference will give to those fully signed in bearing the writer's complete address. The Herald Tribune cannot acknowledge letters sent to the editor.

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Letters

Nixon Dossiers

About the "Richard Nixon show" on French TV (Nov. 28), I'd appreciate it if you would publish the opinion of a Frenchman who has spent a lot of time studying the United States and American affairs in the last few years, since it appears to me.

(1) That Armand Jammot and his team were intent on rehabilitating the former president. Also, I guess there are many lovers of statistics who would be as interested as I in finding out what proportion of the "show" has boosted the sales of the French edition of Nixon's memoirs;

(2) That asserting that more than 80 percent of the French people are full of admiration for this so-called Quaker could be the best joke of the year if it were not insulting to the American people, who condemned him almost unanimously. (I am not a admirer of the WASPs or of the Establishment, but it takes guts to accuse them of conspiracy against Nixon.)

Out of the hundreds of people who called to say Richard Nixon was one of the best — if not the best — president the United States ever had, how many could name more than 5 of the 39?

Isn't it strange that the phone number viewers had to call was

never given on the screen, as is customary. Hundreds of people like me — who are not regular viewers of "Les Dossiers de l'Ecran" — were unable to put their questions through. So, here is the one I would like to ask Mr. Nixon: "What is the total amount of your royalties for your memoirs so far, and what percentage of it do you intend to donate in order to alleviate the misery of Vietnamese refugees all over the world?"

JOSEPH TOURNARE
Nantes, France.

Infiltration

It is incomprehensible how the writer of your editorial urging admission of all Cuban refugees without screening could be so naive. It is perfectly obvious and to be expected that Castro will try to infiltrate the refugees with spies. A very few will get in no matter how thorough is the screening. Attorney General Bell is conscientiously doing his duty in preventing as many spies as possible from entering the United States.

H. G. HOLCOMBE,
Colonel Retired,
Intelligence Service
Army of the United States.
St. Croix, Virgin Islands.

Joyce

Congress Prepares Reports

CIA Ties to Shah Blamed For Intelligence Failure

By Jim Hoagland

WASHINGTON. Dec. 17 (WP) — The Central Intelligence Agency's long and close ties to the Shah of Iran and his intelligence service effectively prevented the agency from giving the White House a clear warning that public unrest posed a major threat for the Shah and for U.S. policy.

That conclusion emerges from a series of interviews with officials and analysts of the U.S. intelligence community, which has been shaken severely by White House criticism of its performance in Iran. Some of these officials also have been interviewed by House and Senate staff investigators, who are preparing reports on this intelligence failure.

Warnings originating in the State Department that the Shah faced rising and dangerous popular opposition last summer were kept out of a draft national intelligence estimate because CIA and Defense Department analysts strongly disagreed with that view, congressional investigators have been told.

A CIA official said yesterday that CIA Director Stansfield Turner had returned the draft estimate on Iran to its agency authors twice "because he didn't think it was good enough." But the official was unable to say if Adm. Turner's objections involved the report's highly optimistic view of the Shah's hold on power.

Other knowledgeable sources said that Adm. Turner had sent the now-controversial estimate back for more information on military and other matters, but there were no clear indications at the time that he was unhappy with the political reporting.

The bureaucratic wrangling over the estimate, which was overtaken by the explosion of unrest in the streets of Tehran in September, is only part of a much broader problem the CIA faces in trying to work in a country where it has an enormous investment in maintaining an autocratic ruler that it helped put in power.

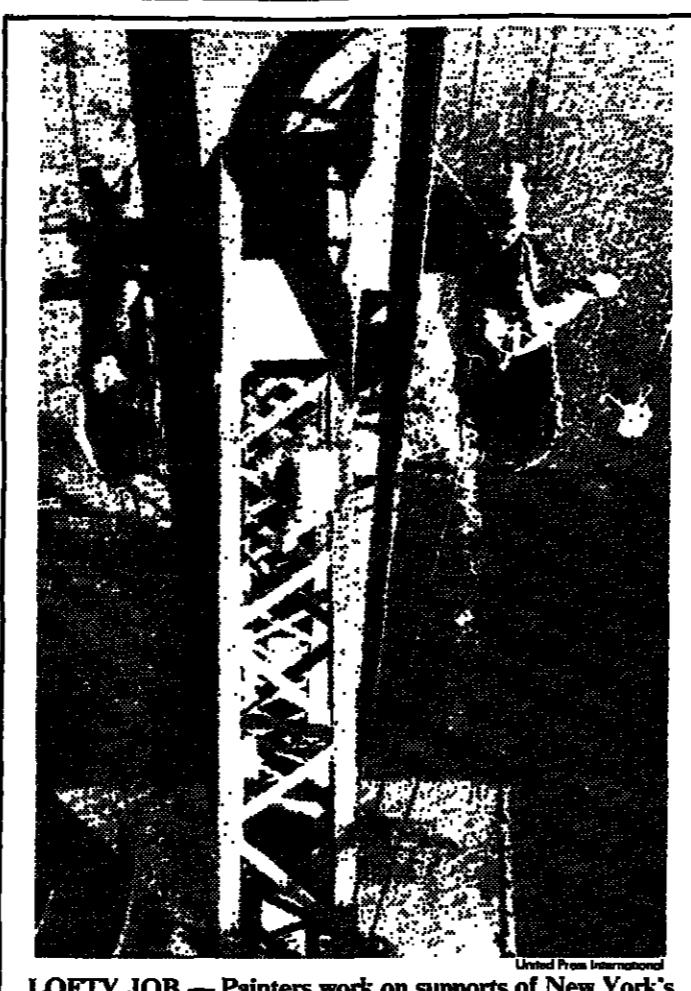
"If we wanted information on the opposition leaders and on the military in Iran, we should have turned it into an unfriendly country," said one exasperated analyst. "Then we would have targeted them and developed sources. But we can't do much with opaque sources headed by friendly authoritarian figures."

The political opposition and other corps have been off-limits for years to the 50 to 75 agents the CIA maintains in Iran. The agency's professional intelligence on domestic Iranian developments has had to come largely from the Shah's own secret police, SAVAK, which hardly could be expected to report that the Shah was in trouble.

"If we had tried to penetrate the opposition, we would have been caught immediately by SAVAK," a CIA official said. "Iran is an ally. In England, we would not try to penetrate the opposition."

Hovering in the corners of the sharpening disputes over the Iran failure and U.S. choices for the future are ghosts from an era when the CIA quickly could mount covert operations to shore up or move aside agency allies who suddenly had become liabilities in their own countries.

No Dinh Diem, the South Vietnamese dictator assassinated by his own troops in 1963 after President John Kennedy let his lack of confidence in Diem be known, is conjured up by U.S. policymakers who argue that the United States would



LOFTY JOB — Painters work on supports of New York's Queensboro Bridge perched 300 feet above the East River.

News Analysis

Washington Counterpoint Undercut Vance's Shuttle

By John M. Goshko

WASHINGTON. Dec. 17 (WP) — When Secretary of State Cyrus Vance undertook his Middle East mediating mission last week, he is known to have done so with reluctance and a feeling that he had only an outside chance of success.

Mr. Vance was keenly aware of the magnitude of the obstacles blocking a peace treaty between Egypt and Israel. But the record of his five-day shuttle effort suggests that the Carter administration, in its handling of a high-risk diplomatic situation, managed to make Mr. Vance's task all but impossible.

As a result, Mr. Vance failed to break the deadlock in the negotiations in time for today's target date for a treaty, which had been set during the Camp David talks. He also left the region with U.S.-Israeli relations badly strained and the talks so snarled that no one can predict when and how they can be put back on the track.

Mr. Vance set out on the assumption that the situation required difficult and painful concessions from Israel. He first attempted to put them in as palatable a form as possible and then urged them on the Israelis in the manner of a doctor trying to coax a child into swallowing medicine.

Scuttled by Events

Yet, in an almost inexplicable counterpoint to Mr. Vance's conciliatory approach, events unfolded in Washington that had the effect of undercutting his efforts.

First, Senate Majority Leader Robert Byrd, D-W.Va., walked out of a meeting with President Carter to warn that future U.S. aid to Israel could be affected by Israeli policy on the question of establishing new settlements on the Israeli-occupied West Bank.

Then Mr. Carter, in public remarks that were echoed by other White House officials, praised Egyptian President Anwar Sadat, while pointedly hinting through his failure to mention Israeli Prime Minister Menachem Begin, that Washington was becoming impatient with Israel's failure to make concessions.

In terms of what Mr. Vance was trying to do in Jerusalem, the timing could not have been worse. It insured that the Israeli Cabinet would reject the proposals brought by Mr. Vance.

In fact, the Cabinet went even further, appending to its rejection a slam at "the attitude and interpretation of the United States government." By the time Mr. Vance returned home, Israeli leaders were charging that the United States had tilted openly toward Egypt and was no longer an impartial mediator.

U.S. Irritation Grows

The result has been a mute, but unmistakable, countering wave of irritation toward Israel by U.S. officials that includes charges about the Begin government deliberately misrepresenting Mr. Vance's proposals. In the midst of the recriminations, U.S. sources in Mr. Vance's party seemed unable to explain why Washington behaved with what some privately concede was clumsiness.

The sources admit that Mr. Vance went to Israel with a position that could be described as tilted toward Mr. Sadat's on the two key issues stalling the peace talks.

One involves Egypt's demand that the treaty be accompanied by a timetable for separate negotiations on establishing Palestinian autonomy in the West Bank and Gaza Strip areas.

The other concerns Egypt's reluctance to accept an article in the draft treaty accepted by Israel that would give the accord precedence over Egypt's other treaties, including its mutual defense pacts with other Arab states.

In approaching these issues, the sources said, the United States concluded that Egypt required assistance on both demands to protect it from charges that it is ignoring

U.S. Trying to Mediate Among Factions in Iran

By Richard Burr

WASHINGTON. Dec. 17 (NYT) — The United States has assumed the delicate role of mediator among the contending factions in the crisis in Iran, with the Carter administration prodding Shah Mohammad Reza Pahlavi to replace his military government with a broad-based, civilian coalition.

The administration's new policy, as described by White House and State Department officials, is to step up its contacts with both the Shah's political opponents and the Iranian military, while still maintaining close links with the Shah.

The administration's efforts to end military rule in Iran stands in contrast to the White House's public position, which is not to interfere in internal Iranian politics. The efforts also represent a departure from previous administration policy, which has been to back the Shah in whatever political course he took.

The purpose of the administration's initiative, according to officials, is not to ease the Shah out of power, but to assist him in working out a formula that would allow him to keep some degree of control over the military while attracting segments of the opposition into a coalition.

"We are not acting as power-brokers," said one official closely involved with the crisis, "but we have begun to carry messages and urge various compromises."

The strategy of attempting to find a workable alternative to continued military rule is in tune with a recently completed interagency study headed by George Ball, which is said to have argued that the Shah would be unable to survive the present turmoil unless he took steps to dilute his power and backed a civilian government that would have wide political support.

Although the Shah's major critics

have refused in public to enter into such an arrangement, officials said that Mr. Ball's recommendations have been bolstered by private signals from some opponents that a new government, which included the Shah, is not out of the question.

In an interview Friday, Mr. Ball, who was undersecretary of state in the 1960s, confirmed that the administration is now seeking the return of civilian rule in Iran. However, he said that this position did not reflect a weakening of U.S. support for the Shah.

Mr. Ball denied reports that his support for ending military rule in Iran counter to the advice given to President Carter by Zbigniew Brzezinski, the White House national security adviser. "Everyone backs the idea of civilian rule," Mr. Ball said.

Officials said that tentative efforts by the administration to play a mediating role in Iran had been enhanced by the willingness of several opposition groups to communicate with U.S. officials. "I think they recognize that regardless of what happens, the United States will be a crucial country for any future Iranian government," said one. The Shah, who has been described as resisting U.S. advice, is also said to be more open to U.S. suggestions.

According to officials, William Sullivan, the U.S. ambassador in Tehran, has resisted efforts to engage in discussions with elements of the opposition over the possible shape of a new government, but that he had been ordered to do so. To carry on these discussions, additional State Department officers have been sent to Iran in recent days and they have been sending back cables which have been used by the White House in making suggestions to the Shah.

The other concerns Egypt's reluctance to accept an article in the draft treaty accepted by Israel that would give the accord precedence over Egypt's other treaties, including its mutual defense pacts with other Arab states.

In approaching these issues, the sources said, the United States concluded that Egypt required assistance on both demands to protect it from charges that it is ignoring

Obituaries

Chill Wills, Veteran Actor in Westerns

NEW YORK. Dec. 17 (NYT) — Chill Wills, 76, the raspy-voiced character actor who appeared in hundreds of Westerns and other movies and who was the voice of Francis, the talking mule of the comedy series, died Friday at his home in Encino, Calif. He had been suffering from cancer.

State Department officials argue that the real dangers lie in not disengaging faster. They raise the specters of Libya or Ethiopia, where radicals have swung sharply against the United States after overthrowing regimes with which the CIA had strong ties.

In any case, Iran is already a multilevel failure that is likely to haunt the agency for years. The agency has been deeply implanted in Iran since 1953, when Kermit Roosevelt and fewer than 30 U.S. and Iranian agents were able to mount an operation that brought down the leftist government of Mohammed Mossadegh and put the Shah back on the throne.

The entire operation cost less than \$1 million, which the Shah insisted on paying back, according to agency folklore. It is unclear that today the agency could produce anything approaching these results for any sum even if it were "unleashed."

While honoring the Shah's wishes that they totally ignore Iranian developments, CIA personnel have been given free rein in gathering intelligence about the Soviet Union from Iran. The Shah permits the United States to operate some of the world's most sophisticated listening and radar equipment on the Soviet border.

The fate of that equipment, should the Shah fall suddenly, before it could be relocated, is a major worry for Carter-administration planners.

The agency was absolutely accurate in its reporting throughout the year that the small radical terrorist groups represented no threat to the Shah," said one U.S. intelligence official. "But those were the only opposition groups the agency was reporting on. There was zero in their analysis about the rightist Moslem opposition that was the real threat."

Urgent Request

This trend continued even as unrest intensified and the White House sent an urgent request that a new national intelligence estimate on Iran already in progress be accelerated. The estimate is an authoritative summary prepared on request and jointly by the CIA, State, Defense, Treasury and other departments.

Adm. Turner appointed one of his intelligence officers to head the secret Iran project, which quickly produced a sharp and divisive dispute.

State Department analysts, who argued that the opposition represented a serious threat to the Shah were overruled in the writing of the draft by CIA and Defense analysts, who insisted that the report should conclude that while some unrest would continue, the Shah's hold on power was completely secure.

The draft as sent to Adm. Turner excluded the dissent. The State Department wanted in the document.

While State was preparing its own paper on the subject and Adm. Turner was sending the draft back for rewriting twice, the public demonstrations against the Shah escalated dramatically and "Iran became a day-to-day problem for us," a CIA official said. The estimate was shelved in October.

Portions of the first draft were published after a note from President Carter expressing unhappiness with intelligence reporting on Iran was leaked.

The sources said that the report should have been set aside during the Camp David talks. He also left the region with U.S.-Israeli relations badly strained and the talks so snarled that no one can predict when and how they can be put back on the track.

Mr. Vance set out on the assumption that the situation required difficult and painful concessions from Israel. He first attempted to put them in as palatable a form as possible and then urged them on the Israelis in the manner of a doctor trying to coax a child into swallowing medicine.

Negotiating Spur

In addition, the sources said, the United States also likes the idea of a West Bank-Gaza timetable because it feels the Israelis have not really faced up to the need to grant Palestinian autonomy. By linking the timetable to the treaty with Egypt, the sources said, Washington believes that Israel would be under greater pressure to negotiate the Palestinian issue quickly and in good faith.

However, Israel has resisted both Egyptian demands. On the Palestinian timetable question, the Israelis argue that the Camp David accords call for that issue to be negotiated separately and that Egyptian demands for linking it violate the accords and give Egypt a potential pretext for abrogating the peace treaty if the timetable is not met.

The Israelis apply the same objection to the dispute about the treaty's precedence. In the Israeli view, any suggestion that Egypt is not bound to remain at peace with Israel even in the event of an Israeli dispute with another Arab country would make the treaty meaningless.

In an effort to overcome these Israeli objections, Mr. Vance began his shuttle by spending three days in Cairo negotiating with Mr. Sadat to find ways of making the Egyptian demands more acceptable to Mr. Sadat. Ultimately, they agreed on some U.S. suggestions for softening the Egyptian positions.

These included a proposal to express the timetable on Palestinian autonomy in terms of nonbinding target dates rather than fixed deadlines.

On the question of the treaty's precedence, Mr. Vance convinced Mr. Sadat to leave the treaty language unchanged and settle for an accompanying explanatory note stating a nation's right to self-defense under the United Nations charter.

Mr. Sadat also held out for other concessions that the United States regards as minor and one additional piece of linkage that Mr. Vance knew would cause trouble in Israel. That involved an Egyptian insistence that, even after diplomatic relations with Israel are established, Mr. Sadat could delay sending an ambassador to Israel until Palestinian autonomy had been established in the occupied territories.

When Mr. Vance took these proposals to Israel, the U.S. sources said, he had no illusions that they would be accepted. But, they added, he hoped to coax the Israelis into giving ground on the lesser issues and to agree to negotiate on the timetable and treaty precedence questions.

However, the sources said, hope faded as Mr. Vance arrived in Jerusalem to find the Israelis in an uproar over the Byrd statement, which had just been made in Washington.

Despite a hurried State Department effort to dissociate the executive branch from Sen. Byrd's remarks, Mr. Vance was greeted by charges of "U.S. blackmail" and a stiffening of the Israeli conviction that he had come, as one source put it, "to ram Sadat's proposals down their throats."

U.S. Irritation Grows

The result has been a mute, but unmistakable, countering wave of irritation toward Israel by U.S. officials that includes charges about the Begin government deliberately misrepresenting Mr. Vance's proposals. In the midst of the recriminations, U.S. sources in Mr. Vance's party seemed unable to explain why Washington behaved with what some privately concede was clumsiness.

The sources admit that Mr. Vance went to Israel with a position that could be described as tilted toward Mr. Sadat's on the two key issues stalling the peace talks.

One involves Egypt's demand that the treaty be accompanied by a timetable for separate negotiations on establishing Palestinian autonomy in the West Bank and Gaza Strip areas.

The other concerns Egypt's

film that included Clark Gable, Spencer Tracy, Claudette Colbert and Hedy Lamarr, Mr. Wills was a standout.

In addition to the "Francis" films, he appeared in featured roles in "The Westerner," "Western Union," "See Here, Private Hargrove," "The Yearling," "The Sundowners," "Tarzan's New York Adventure," "Giant," "From Hell to Texas," "The Alamo" and even musicals such as "Meet Me in St. Louis" and "The Harvey Girls."

The 1930s and 1940s saw Hollywood in its heyday, and Mr. Wills appeared in movies with

the brightest stars: Walter Pidgeon, Wallace Beery, Gary Cooper, Robert Taylor, Lucille Ball, Charles Laughton, Joseph Cotten, Shirley Temple, Angela Lansbury, Gregory Peck, John Wayne and others.

Low-Budget Success

Mr. Wills achieved fame as the wry, disenchanted voice of the talking mule. The low-budget motion pictures that began with "Francis" in 1949 were highly successful. Mr. Wills was given a script, but he was third or fourth "Francis" film, more than one-third of what the mule said was Mr. Wills' own words.

Chill Theodore Wills was born in Seagoville, Texas. Chill was his real name.

Mr. Wills was, as he said, "brung up" in medicine shows, minstrels, and nightclubs. He joined a professional singing group in Burkburnett, Texas, the community of "Boom Town," and later began to spice his singing act with monologues. Then he moved on to acting in stock companies in the Middle West.

"Vaudeville houses began closing fast," he said later. "I got afraid so fast," he said. "I left the club, and went into nightclubs." In one club, the Trocadero, in Hollywood, he was seen by a movie executive and offered a screen test and then a job.

When they learned he was from Texas, he was told, "Any flesh from Texas is a cowboy," and he was a Western standard from then on.

Mr. Wills also appeared in two television series, "Frontier Circus" in 1961 and "The Rounders" in 1967. He owned several business enterprises, including a chain of restaurants and a chili manufacturing business.

J. Fred Buzhardt

HILTON HEAD ISLAND, S.C. Dec. 17 (UPI) — J. Fred Buzhardt, 55, who managed most of former President Richard Nixon's Watergate defense, died yesterday of a heart attack.

Mr. Buzhardt was stricken about



Chill Wills

9 a.m. at his home on Hilton Head Island, a resort community near Savannah, Ga.

Mr. Buzhardt suffered a mild heart attack before the Watergate issue was resolved and turned defense duties over to James St. Clair, a Boston attorney.

Mr. Buzhardt, a native of McCormick, S.C., and a graduate of West Point, was in public service for more than 20 years and during that time served as an aide to Sen. Strom Thurmond, R-S

JY 1978

A Special Report



The Economy

Growth Prospects Judged To Be 'More Than Fair'

By Peter W. Crintrib

SINGAPORE (IHT) — When Prime Minister Lee Kuan Yew characterized growth prospects for the next five years as "more than fair" in his national message in August, it appeared that all long-term Singapore's leaders had started to believe in the economic miracle wrought here in the 13 years since independence.

Few could question their confidence. The gross domestic product for 1978 looks almost certain to achieve a solid 8-percent rate of growth over the previous year. Foreign investment commitments for the first half of the year exceeded the 1977 total. Inflation was kept at a manageable annual rate of 5 percent, and the danger of any significant increase is so slight as to be almost nonexistent.

The government and business leaders alike share the view that the Singapore economy has weathered the storms of the mid-70s recession very well and that the promise for the future is bright. Singapore may no longer be Asia's economic wonder, they concede, but it has proven itself that it can cope with the adversity of worldwide economic dislocation and compete successfully with the other dynamic economies of the region.

Exports

MOST of that competition comes in related areas of attracting foreign investment and promoting exports. In a recent speech before the 26th World Congress of the International Chamber of Commerce in Florida, Mr. Lee stated bluntly that the leading role of multinational corporations in Singapore had been a key to its economic success. But he warned that unless the present trend towards protectionism in the industrialized countries was checked, his own country could suffer.

For the foreseeable future, Singa-

pore's attractiveness to foreign investors appears likely to remain an object of envy for other developing countries in the region. A recent survey by Business International of New York placed this city-state first worldwide as an investment site, on the basis of its skilled and disciplined work force and its highly developed transportation and communications infrastructure.

The export picture is clouded. Rising protectionism in major markets such as the United States and the European Economic Community has forced Singapore to swing away from the manufacture of traditional textile and light industrial goods. As a result, the powerful Economic Development Board adopted a strategy of encouraging foreign investment only in the areas of high technology still free from tariff restrictions.

Partially as a result of such restrictions, Singapore's trade deficit continues to mount in 1978. For the first two-thirds of the year, the trade balance was some \$4 billion (nearly U.S.\$2 billion) in the red, compared to \$3 billion for the same period in 1977. Some of the gap was prompted by the rising value of the yen, which made imports from Japan more expensive, and a decline in traditional exports of such Malaysian goods as rubber products and palm oil.

Japan passed Malaysia and the United States in 1977 to become Singapore's leading trade partner, and it retained that position in the first months of 1978. Like many developing countries in East and Southeast Asia, Singapore looked toward West Asia as a rapidly expanding market for its manufactured exports and, at the same time, made fresh efforts to cultivate markets in India.

Invisible payments brought almost \$3 billion into the national

(Continued on Page 2)

By Harold Ellithorpe

SINGAPORE (IHT) — This nation is a fully functioning democracy, a somewhat rare creation in Asia. It has a freely — and fairly — elected Parliament, a government untainted by corruption, rule by law through an independent judiciary and freedom of speech, press and religion. Yet it is a strangely repressive state where 75 percent of the voters handed every seat in Parliament to a party admittedly dominated by one man.

Political life in Singapore begins and ends with Prime Minister Lee Kuan Yew. As one wag put it, "Singapore is a benevolent democracy ruled by a dictatorial liberal."

In the December, 1976, elections, Mr. Lee's People's Action Party (PAP) won all of the 69 parliamentary seats. For the fifth time, PAP was returned with overwhelming popular support. Five opposing parties and two independents failed to score even a protest vote of significance.

Mr. Lee's popularity at the polls is strange, for nearly every Singaporean one talks to in private admits that the prime minister is a leader more feared than loved. He is returned at the polls not for his political fearsomeness, but because of what he has achieved for the average citizen.

Mr. Lee's achievements are evident to everyone in Singapore. Each citizen's share of the small city-state's prosperity has risen since Mr. Lee took over in 1960.

More than 60 percent of the people live in spacious government housing estates that are models of public housing in Asia. Real wages have risen substantially, second in Asia only to Japan. The economy has expanded with a steady clip — 7.8 percent last year in real terms. Education is universal. Social services are the best in Asia. Streets are clean, crime is controlled, officials and policemen are honest.

More importantly, multi-racial Singapore enjoys political and communal peace.

The prime minister himself dates the start of Singapore's political matu-

INTERNATIONAL Herald Tribune

Published with The New York Times and The Washington Post

* PARIS, DECEMBER, 1978

Singapore — 1978

A Functioning Democracy Ruled by One Man

...a nation
that has been
created in
his mind's eye...



Prime Minister
Lee Kuan Yew

Communist influence in Singapore was destroyed and remains destroyed by the winners of that battle. Today, several dozen detainees languish in Changi prison, held under detention-without-trial laws.

The government does not reveal the exact numbers under such detention, but estimates run from "around 30" to "somewhat over 70." A few have been jailed without trial for more than 12 years, a fact that led Amnesty International to issue a blistering report on Singapore's detention system in February, 1976.

The government claims that detainees merely have to foreswear the use of violence and attempt to overthrow the elected government in order to be freed. Indeed, persons who have made such declarations have been freed, given responsible jobs and have even formed their own association, which strongly supports Mr. Lee.

Most detainees are alleged Communists or members of Chinese secret societies with suspected international criminal connections. Their detention stands as a warning to outsiders such as members of the Communist Party of Malaya (CPM) or syndicate hoodlums from Hong Kong and Bangkok to stay out of Singapore.

Internally

Internally, Mr. Lee rules by different forces.

The core of his political power is PAP, a highly organized political institution. It operates through a variety of organs, including dominance of the NTUC.

In each of Singapore's 69 electoral districts, a Citizens' Consultative Committee has been created as a statutory link between citizens and their government. In each, a civil servant is assigned as ex-officio secretary — who reports directly to the prime minister's office.

In each neighborhood, there are community centers operated by the People's Association, a government board created 18 years ago to promote community-betterment programs. The management committees of the 166 such centers are dominated by PAP members of Parliament and other PAP followers.

Thus, Mr. Lee's political arms reach down to the smallest neighborhood, touching directly the lives of nearly every one of Singapore's 2.3 million citizens.

Through PAP, members of Parliament, community centers and consultative committees, the prime minister has a constant feedback of information and in turn is able to exert his power down to the grass roots in effective ways.

By contrast, his major political opposition — the Barisan Socialists and the Workers' Party — have almost no reliable grass-roots organizations. People compare Lee Kuan Yew with Mussolini because, like the Italian dictator, he makes the economy work. But a better comparison is to Mayor Daley of Chicago," remarked a foreign resident.

Intellectual

But Singapore's prime minister is more than a mere adroit city political boss. He is a visionary intellectual determined to forge a new nation out of what was once a colonial coal mining station.

Singapore did not exist in anyone's mind as a "nation" until Mr. Lee, out of necessity, created it in his mind's eye.

That came in 1965, when Singapore was tossed rather rudely out of the Federation of Malaysia by suspicious Malays who feared Singapore's hard-working Chinese majority — and Mr. Lee — would dominate their new country coalesced out of the disparate former British colonies of South East Asia.

While the British had agreed in the 1950s that Singapore could become a self-governing state on its own, the concept of a Malaysian federation seemed to make better sense. The seaport of Singapore — comprising slightly more than 525 square miles of land — would then be politically attached to its logical hinterland of Malaya and the neighboring members of the federation. The patch job lasted two years.

When Singapore was out of the federation, Mr. Lee determined to give it a new political form. In the 13 years since, he has spelled out his dream of a new, multi-racial, fiercely independent city-state: This city-state would develop its own culture, derived from the Asian heritages originally brought by Chinese, Indian and Malay immigrants to this colonial sea base during the past century and a half.

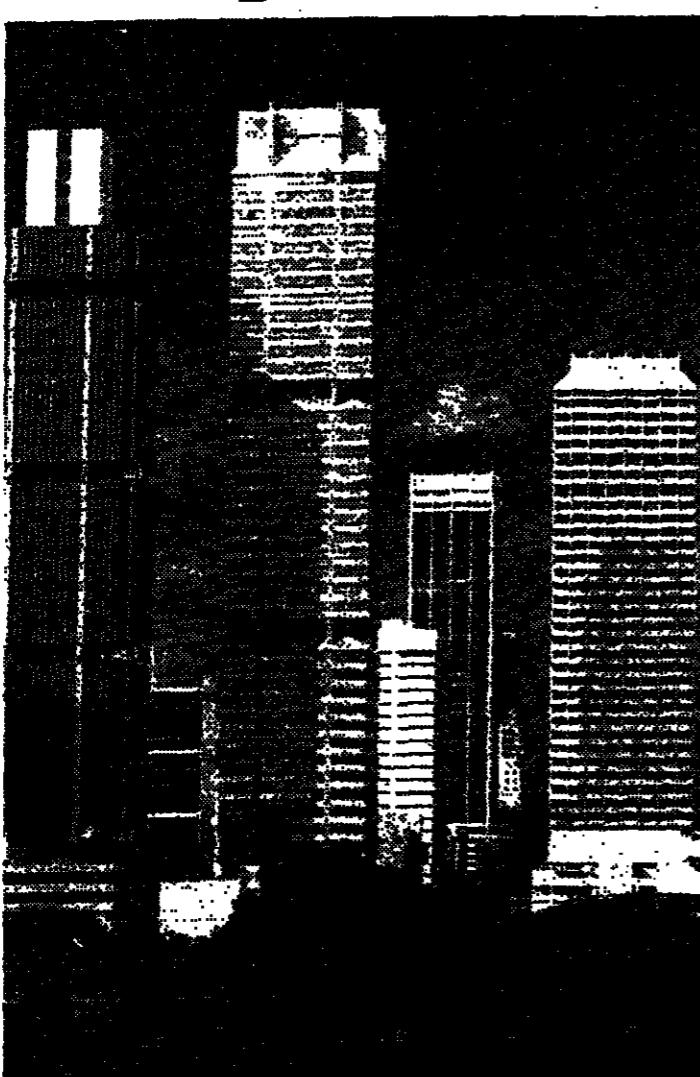
Speaking this summer at a national day rally, the prime minister revealed that he had nearly become "decolonized" as a Chinese youth educated in the English language and in British schools. "I may speak the English language better than I speak the Chinese language," he said, "because I learned English early in life. But I'll never be an Englishman inside; it's an Eastern value system."

He even noted that he had carefully watched photographs of his own children while they were away at university in Britain to see whether they took to current Western fads, which he described as long hair, dirty jeans, bare feet and T-shirts, "with strange slogans printed on them."

He was paternally — and patriotically — proud when photos mailed to him revealed suitably short-cropped hair styles. The lesson for Singapore's youth was clear: How to maintain a clean image of "Singapore-ness."

(Continued on Page 3)

Filling the Gap in Offshore Dollar Markets



Shenton Way, heart of the financial community.

ment bankers, Merrill Lynch and Credit Suisse-Fist Boston.

The U.S. dollar's erratic fortunes have meanwhile catalyzed a dramatic boom in Singapore's foreign exchange business in the past couple of years. MAS figures indicate a near 40-percent jump in exchange turnover this year to almost U.S.\$2 billion a day. Allowing for double counting, a more realistic estimate would be about \$1.25 billion daily, compared with a daily average of about \$340 million just four years ago, exchange dealers say.

Geography, which played the critical part in Singapore's mercantile development, has also been crucial in its growth as a foreign exchange and dollar-deposit market.

Poised between the U.S. West Coast and Japanese time zones to the East and Europe to the West, Singapore and Hong Kong have become the places where yen positions are reinforced or unwound after the Tokyo close and where quick-witted European bankers steal a march on their rivals before the sun rises in Frankfurt.

Foreign Exchange

One third of Singapore's foreign exchange business is done in U.S. dollar/yen and another third in U.S. dollar/Deutsche Marks. Hammering home the offshore nature of the market, MAS figures for last year showed only 15 percent of exchange business involved the Singapore dollar. Dealers say this year's percentage will be less.

In addition to geography, reasons commonly cited for Singapore's banking success include the excellence of its telecommunications and its remarkable political and economic stability.

More controversy surrounds the role of the MAS. Progressive-minded and sensitive to bankers' needs, the authority, under Managing Director Michael Wong Pakson, has presided over a growing system that now includes six international money brokers (there were none when MAS was formed in 1970), four discount houses (none in 1970), more than two dozen merchant banks (none in 1970) and some four score commercial banks.

On the other hand, MAS runs a tight ship, at least compared with the free and easy ways of Hong Kong.

In the will-o'-the-wisp Asian dollar bond market, a clutch of Singapore-based houses have established positions as primary-issue managers and selling agents. Top names would include the Development Bank of Singapore (DBS), DBS Daiwa, Morgan Grenfell (Asia), United Overseas Bank, Singapore Nomura and Singapore-Japan. In favorable conditions, which have not existed for most of the past

year, the market can place about U.S.\$20 million to \$30 million worth of bonds at a time. In unfavorable conditions, the market hibernates.

During the past year, an active primary market emerged for U.S. dollar fixed and floating-rate certificates of deposit (CDs), and a regular secondary market for the fixed-rate CDs has been nurtured by DBS and two newly arrived invest-

Some bankers blame excessive caution and overzealous regulation on the part of the authorities for imbalances in the system, such as the relatively weak development of forward-exchange trading. MAS is also held responsible by some bankers for seemingly endless procrastinations on the formation of a proposed Singapore gold futures exchange, which has finally crept into action after four years of grinding delays.

MAS officials say Singapore hardly looks over-regulated com-

(Continued on Page 2)

By J.D. Indran

SINGAPORE (IHT) — Singapore is now the third largest oil refinery center in the world, after Rotterdam and Houston, with a total capacity of more than one million barrels of crude oil per day. Oil refining is Singapore's biggest industry despite the fact that there is not a single oil well here. The industry is concerned mainly with refining, marketing, transportation and distribution.

There are several reasons for the phenomenal growth of the petroleum industry in Singapore. They include the government's policy on tax incentives as well as political stability, infrastructure (such as an excellent port and good banking and communication facilities) and a hardworking and skilled population.

Most crude oil comes to Singapore from the Middle East, normally transported by very large crude carriers (VLCC) of 150,000 metric tons and up. Refined oil for export is shipped out in small-product tankers.

Major Supplier

Singapore imported about 21 million metric tons of petroleum and petrochemical products valued at about \$4.4 billion during the first nine months of 1977. About \$3 million of crude oil accounts for the bulk of the volume, most of which is from the Organization of the Petroleum Exporting Countries. Saudi

Arabia provides 58 percent of these imports, followed by Iran with 14 percent.

Malaysia is also a major supplier of crude oil, most of it from the Shell fields in Sarawak.

The crude oil imported from these countries is processed by Shell (Capacity: 500,000 barrels a day), Esso (231,000), Mobil (180,000), Singapore Petroleum Co. (65,000) and British Petroleum (28,000).

For every barrel of 159 liters of crude, refineries here produce about 23 liters of gasoline, 41 liters of kerosene and diesel, 82 liters of fuel oil and seven liters of other products. The remainder is used as fuel during refining or is lost in the process.

At the moment, most refineries are operating at half their capacity. The distillates are kept as stocks by the refineries either for export or to meet local demand.

Singapore also imports large quantities of refined products, totaling about \$1 billion of which almost \$200 million is re-exported. Combined with the \$2.6 billion in domestically refined exports, total oil exports (not including those to Indonesia) amount to \$2.8 billion.

Japan

Kerosene and other fuels account for 44 percent of these exports, diesel fuel 19 percent and aviation fuel 14 percent.

Japan continues to be Singapore's biggest customer, with \$600 million of export sales, followed by Hong Kong (\$376 million) and Malaysia (\$305 million). Australia, Thailand, the United States, Papua, New Guinea and New Zealand also buy Singapore's petroleum products.

Vietnam used to be an important market. But since the end of the war, its imports have become negligible. Singapore also imports large quantities of refined products, totaling about \$1 billion of which almost \$200 million is re-exported. Combined with the \$2.6 billion in domestically refined exports, total oil exports (not including those to Indonesia) amount to \$2.8 billion.

New Project

Despite the gloomy oil situation in the last few years, the most ambitious project undertaken here — the Sumitomo petrochemical complex at Pulau Aver Chawan — is under way. This joint venture between the Singapore government and the Sumitomo Chemical Co. is a clear-cut move to develop higher-technology petroleum products.

Singapore was chosen because of its proximity to existing refineries, which will supply naphtha/gas-oil and process feedstock.

The complex is expected to have one upstream and five downstream companies. The upstream company will operate a naphtha/gas-oil cracker and process feedstock from existing refineries as intermediate products as ethylene and propylene. These products will in turn be sold to the downstream companies for conversion into plastic resins and other petrochemical intermediaries.

Oil refining is Singapore's biggest industry despite the fact that there is not a single oil well here. The industry is concerned mainly with refining, transportation and distribution.

By J.Y. Choi (1978)

Published with The New York Times and The Washington Post

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Over-Counter Market

Over-Counter Market																																			
Sales in 100s				Net Chg's				Sales in 100s				Net Chg's				Sales in 100s				Sales in 100s				Net Chg's											
Sales in 100s	High	Low	Last	Sales in 100s	High	Low	Last	Sales in 100s	High	Low	Last	Sales in 100s	High	Low	Last	Sales in 100s	High	Low	Last	Sales in 100s	High	Low	Last	Net Chg's											
(Continued from Page 7)																																			
DanlyM 1.40	46	1816	1716	1716—34	FedIPPP 372c	198	8%	8%	GvtE p74	476	12%	12	1216—34	GvtEL 40	34	13%	13%	GvtEL 40	34	13%	13%	RussStov J2	249	13%	13%	1316	TransOff	86	3%	316—34					
Danners 20	210	554	444	444—1	FidAbSh 1	783	16%	10%	GvtRe 36	238	25%	25%	2516—34	FidAbSh 1	84	15%	15%	GvtRe 36	25	22%	22%	RyonsIm 16	22	18	17%	1716—34	TrmsOCo	22	18	17%	1716—34				
DartD 13	212	6	5%	5%—1	FidUlnI 1.32	1013	26%	25%	GraCo 40	67	21	20%	2016—34	FidUlnI 1.32	84	15%	15%	GraCo 40	3	7%	7	RytonIm 16	25	19	18	1816	TrmsLfl 32	243	19	18	1816				
DataAcc 367	11	11	11	FifthCp 36	96	9%	9%	GraScan	665	7%	7%	716—34	FifthCp 36	6	21	21%	GraScan	1050	23%	23%	GraScan	129	13%	13%	1316	RytonIm 16	56	5%	5%	516—34					
DtaDes 32	100	94	82%	82%—1	FifthCp 2.10	6	34%	34%	GraScan	21	234	17	2116—34	FifthCp 2.10	37	2%	2%	GraScan	37	2%	2%	GraScan	1050	12%	12%	1216	RytonIm 16	18	19%	19%	1916—34				
DtaDlm 66	55%	55%	55%	FifthCp 2.10	147	14%	14%	GraScan	388	2%	1%	116—34	FifthCp 2.10	68	11%	11%	GraScan	655	5%	5%	GraScan	37	2%	2%	GraScan	1050	12%	12%	1216	RytonIm 16	56	5%	5%	516—34	
DataRes 32	38	27	25%	25—1	FifthCp 2.10	715	19%	19%	GraScan	21	234	17	2116—34	FifthCp 2.10	68	11%	11%	GraScan	655	5%	5%	GraScan	37	2%	2%	GraScan	1050	12%	12%	1216	RytonIm 16	56	5%	5%	516—34
DataTm 27	19%	17%	17%	FifthCp 2.10	147	14%	14%	GraScan	388	2%	1%	116—34	FifthCp 2.10	68	11%	11%	GraScan	655	5%	5%	GraScan	37	2%	2%	GraScan	1050	12%	12%	1216	RytonIm 16	56	5%	5%	516—34	
DataScp 120	120	124	114%	114%—1	FifthCp 2.10	107	18%	18%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	107	14%	14%	GraScan	109	14%	14%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	53	23%	22%	2216—34				
DavidDh 195	23%	2%	2%	FifthCp 2.10	107	18%	18%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	107	14%	14%	GraScan	109	14%	14%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	53	23%	22%	2216—34					
DavidDh 9	5	5	5	FifthCp 2.10	147	14%	14%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	107	14%	14%	GraScan	109	14%	14%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	53	23%	22%	2216—34					
DavidM 1.10	23%	21	21	FifthCp 2.10	147	14%	14%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	107	14%	14%	GraScan	109	14%	14%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	53	23%	22%	2216—34					
DBeer 516	4	4	4	FifthCp 2.10	147	14%	14%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	107	14%	14%	GraScan	109	14%	14%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	53	23%	22%	2216—34					
DefIPPP 494	5-3-16	5	5-3-16	FifthCp 2.10	147	14%	14%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	107	14%	14%	GraScan	109	14%	14%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	53	23%	22%	2216—34					
DeanFt 70	19%	19%	19%	FifthCp 2.10	147	14%	14%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	107	14%	14%	GraScan	109	14%	14%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	53	23%	22%	2216—34					
DecisDof 647	3	2%	2%	FifthCp 2.10	147	14%	14%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	107	14%	14%	GraScan	109	14%	14%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	53	23%	22%	2216—34					
DebifAg 628	21%	20%	21	FifthCp 2.10	147	14%	14%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	107	14%	14%	GraScan	109	14%	14%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	53	23%	22%	2216—34					
DelEleC 15	16	5%	5%	FifthCp 2.10	206	17%	16	GraScan	109	14%	14%	1416—34	FifthCp 2.10	107	14%	14%	GraScan	109	14%	14%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	53	23%	22%	2216—34					
DeLuxC 1.20	550	29%	29	FifthCp 2.10	206	17%	16	GraScan	109	14%	14%	1416—34	FifthCp 2.10	107	14%	14%	GraScan	109	14%	14%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	53	23%	22%	2216—34					
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DefExr 2.72	44%	10%	10%	FifthCp 2.10	206	17%	16	GraScan	109	14%	14%	1416—34	FifthCp 2.10	107	14%	14%	GraScan	109	14%	14%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	53	23%	22%	2216—34					
DefExr 2.72	44%	10%	10%	FifthCp 2.10	206	17%	16	GraScan	109	14%	14%	1416—34	FifthCp 2.10	107	14%	14%	GraScan	109	14%	14%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	53	23%	22%	2216—34					
DefExr 2.72	44%	10%	10%	FifthCp 2.10	206	17%	16	GraScan	109	14%	14%	1416—34	FifthCp 2.10	107	14%	14%	GraScan	109	14%	14%	GraScan	109	14%	14%	1416—34	FifthCp 2.10	53	23%							

Chicago Options Table



The World's Most Preferred Site for Foreign Investment

SINGAPORE (IHT) — Earlier this year, the New York-based business international released results of a survey of international businessmen to be the world's most preferred site for foreign investment. It only confirmed what scores of overseas investors here already knew. With its hardworking and disciplined work force, an enviable program of government incentives and modern communications and transport, the island republic is a haven for foreign capital.

At the beginning of 1978, there were more than \$4 billion (nearly U.S. \$2 billion) in foreign investment here. During the first half of the year, investment commitments increased appreciably more than in 1977, reaching \$330 million. For all of last year, they totaled \$391 million.

The two largest projects introduced in 1978 were a bearing plant operated by Koyo of Japan and an aircraft component factory owned by Sundstrand of the United

States. Together, their value is about \$40 million.

Worried by rising protectionism in its major export markets and eager to raise the technological level of the local work force, the Singapore authorities are now making a special effort to lure high technology foreign investment that turns out the kind of products that are largely immune from tariff restrictions.

This effort appears to be bearing fruit. According to the Economic Development Board (EDB), the government agency responsible for promoting investment in Singapore, some 60 percent of last year's 117 new or expanded investment projects were in the technology-intensive or intensive electronics fields.

Pioneer Scheme.

The EDB encourages high-technology investment through its "pioneer scheme," under which a five-year tax holiday is granted to firms introducing industry considered likely to produce goods with high

market accessibility abroad. Because such industry is almost invariably in the high-technology field, it has the added benefit of raising the technological capability of the work force.

It is almost certain that the United States will be displaced by Japan within the next several years. A Sumitomo petrochemical complex, valued at about \$2 billion, is scheduled to begin operations in early 1982.

The Sumitomo project is by far the largest foreign investment ever contemplated for Singapore. Officials here are nervously watching its progress. Japan's domestic petrochemical industry is suffering from overcapacity, a condition that has led to some speculation that Sumitomo may want to delay construction work in Singapore until its products have a market. For their part, the Japanese are sticking to the 1982 opening date.

The United States remains the largest foreign investor in Singapore, with a total of \$1.37 billion. It

is followed by Japan (\$633 million), the Netherlands (\$571 million) and Britain (\$566 million).

Petrochemical Complex.

At the same time, high-technology industry has important spin-off benefits for small-scale industry held by local interests. For example, Phillips, the Dutch electronics giant, gives subcontract to local firms to produce plastic components for the radios, television sets and telephones it manufactures in its five Singapore installations.

The EDB, together with other government departments, has voiced some concern over the small level of locally generated investment in the manufacturing sector here. But EDB officials hope that the high run the managerial and technological expertise that Singaporeans acquire in foreign projects will instill a spirit of entrepreneurship.

Singapore makes no secret of the role it believes foreign investment has played in the development of the republic's economy. "Singaporeans were smart enough to recognize those more enterprising than ourselves," Prime Minister Lee Kuan Yew declared in a recent speech. "That was the key to our rapid development."

In the same speech, the prime minister pointed out that some 12,000 foreign managers, engineers and technicians have worked in Singapore, a figure which represents 20 percent of the work force in those categories. Some 250,000

workers, or 30 percent of Singapore's total work force, were employed by them, he said.

Underscoring Prime Minister Lee's remarks on the role of foreign investment in Singapore's development is a recent EDB survey citing the high success rate enjoyed by foreign firms here. According to the survey, not a single major multinational corporation has failed in its Singapore venture. Enterprises wholly-owned by U.S., Western Eu-

ropean and Japanese investors had an overall failure rate of only 6 percent, about half the failure rate for other foreign firms, such as those from Hong Kong and Taiwan.

The survey also showed that when Singaporeans went into joint ventures with firms from the United States, Japan or Western Europe, the failure rate was 7 percent. Wholly Singapore-owned companies have a failure rate here of 36 percent.

One of the major attractions for foreign firms operating in Singapore is the wage structure. The average monthly wage for production and manual workers in 1977 was U.S. \$146, a twofold increase from 1966. Singapore's union leaders, who work hand in hand with the government, have been careful not to press for more rapid raises, which they fear could reduce Singapore's investment competitiveness. —P.W.

Recession, Nationalism Trouble Shipping

SINGAPORE (IHT) — Singapore is the fourth busiest port in the world and serves as a transhipment center for the region. More than 200 shipping lines from all over the world call here regularly, with many other ships stopping over on tramp services.

But the recession in the world economy and the economic nationalism practiced by the Southeast Asian countries have cast a pall of gloom over Singapore's shipping and shipbuilding industry.

Several small shipping firms here have closed down because of the recession in the shipping industry or because there was too little cargo to carry. Others have laid up their ships to cut down operational costs.

The high cost of bunker fuel has eaten into the profits of the companies since the oil-production companies raised their prices.

Another major factor that has affected the industry's performance is the economic policies practiced by Singapore's neighbors.

The first move came when the Malaysian Parliament approved the Merchant Shipping (Amendment and Extension) Bill 1976, under which all cargo from one Malaysian port to another should be carried only by Malaysian-registered vessels operated by firms with at least 50 percent of the shares controlled by Malaysian citizens.

The three main local shipping lines, Straits Shipping, Guan Guan Shipping and Pacific International Lines, have already transferred some of their ships to the Malaysian register and opened up offices in the Malaysian capital of Kuala Lumpur to comply with the regulations.

Smuggling

In February, 1976, Singapore firms trading with Indonesia were drastically hit by an Indonesian government move to curb smuggling. New Indonesian regulations require proper documentation for dealings involving goods subject to high duty. As a result, trade in these goods between the two countries plummeted by 50 percent and has not yet recovered.

The Indonesian government has also placed several other restrictions on Singapore ships trading at Indonesian ports. Local vessels that call at Indonesian ports must get a sailing permit every six months and some are not allowed to enter certain ports undergoing development.

The government has announced that it would help finance local firms that want to build ships — provided the vessels are built at local shipyards. Besides aiding the firms, this would also provide business for the yards, which are facing a drop in new orders.

The ship-repair industry, however, performed well last year despite undercutting by local yards to compete with their rivals overseas. But the future for the ship-repair yards is gloomy because of the setting up of new yards in the Middle East and in East Asian places like Hong Kong, Taiwan and South Korea.

Competition in the repairing sector is now keen and prices are competitive. However, Singapore's strategic location in the center of the shipping traffic should be an advantage.

But Singapore's image as a ship-repair center suffered a severe setback when the Liberian-registered tanker, Spyros, exploded and caught fire in a shipyard on Oct. 12 of this year, killing 76 people and injuring more than 50 workers. The shipyard has already cancelled contracts for work on five tankers because of the low morale of the workers.

The oil-rig construction industry, which has slumped for the past three years because of the decrease in exploration activities in Southeast Asia, has now picked up. Three rigs are being built in Singapore yards for China and three others for French and American firms.

The yards expect an increase in orders in the coming months because of the worldwide increase in exploration activities offshore.

—J.D.J.

A Fully Functioning Democracy Ruled by One Man

(Continued from Page 1)

Although admitting that he was informed on the Socialist objectives of the British Labor Party (and particularly influenced by the movement's anti-colonial stand), Mr. Lee today has dumped socialism and cast off the rag heap of history.

During a revealing speech made before an American business audience during his recent trip to the United States, the prime minister flatly declared that planned Socialist measures had failed. "Why try having the impossible?" he asked. Such talk is that prompted the Socialist International to seek the ouster of PAP in 1976. (Mr. Lee's party walked out of the Socialist International annual congress in May, 1976, reportedly because the Dutch Labor Party's charges about Singapore's violation of civil liberties were not withdrawn.)

Mr. Lee unabashedly is modeling his new Singapore on capitalist principles — and openly invites multinationals and foreign invest-

tors to come without the usual demands of developing nations for equity participation and eventual local control of enterprises.

Cooperatives

Singapore does promote cooperatives to improve conditions in some fields. Trade unions, for example, formed a co-op in which taxi drivers own their own vehicles. And a central fund has been made mandatory as old-age security.

But internationally and internally, Singapore is for free trade, free enterprise and rapid economic growth.

Mr. Lee told his listeners in the United States that in facing the "realities of the world," in 1965, "the sole objective was survival. How this was to be achieved, by socialism or free enterprise, was a secondary matter." The answer turned out to be free enterprise, tempered with the socialist philosophy of equal opportunities for education, jobs, health and housing," he explained.

He never contemplated nationalization, or state planning. "There

was precious little to nationalize," he said. Furthermore, he considered Sukarno's Indonesia, U Nu's Burma and Bandaranaike's Ceylon failures.

Given a commitment to freedom in enterprise and commerce and adherence to the British parliamentary system, Mr. Lee sought to create a new identity for Singapore.

A Code

In doing that he has moved in tough, even harsh, ways. There is a generally understood code now:

• No mention must be made of racial differences. A Chinese newspaper publisher who allegedly promoted an image of chauvinistic Chinese superiority in invidious comparisons to other cultures, was broken. A new newspaper law put through Parliament this summer states that no one may own more than 3 percent of the shares of any newspaper. The offending publisher lost his family-held grip on his own newspaper.

• Communism in any form is prohibited. Violators find themselves in detention in Changi prison.

Dull and Docile

Editors and reporters understand these ill-defined but very real political parameters on their actions. Little wonder that a recent university student debate on the question of why newspapers were "dull and docile" ended with one judge saying that neither side had fully explored the question.

For all the faults of the Lee Kuan era, Singapore remains the best-run, cleanest nation in Asia. "You've got to give it to him," said an admiring foreign diplomat. "Lee runs a tight ship."

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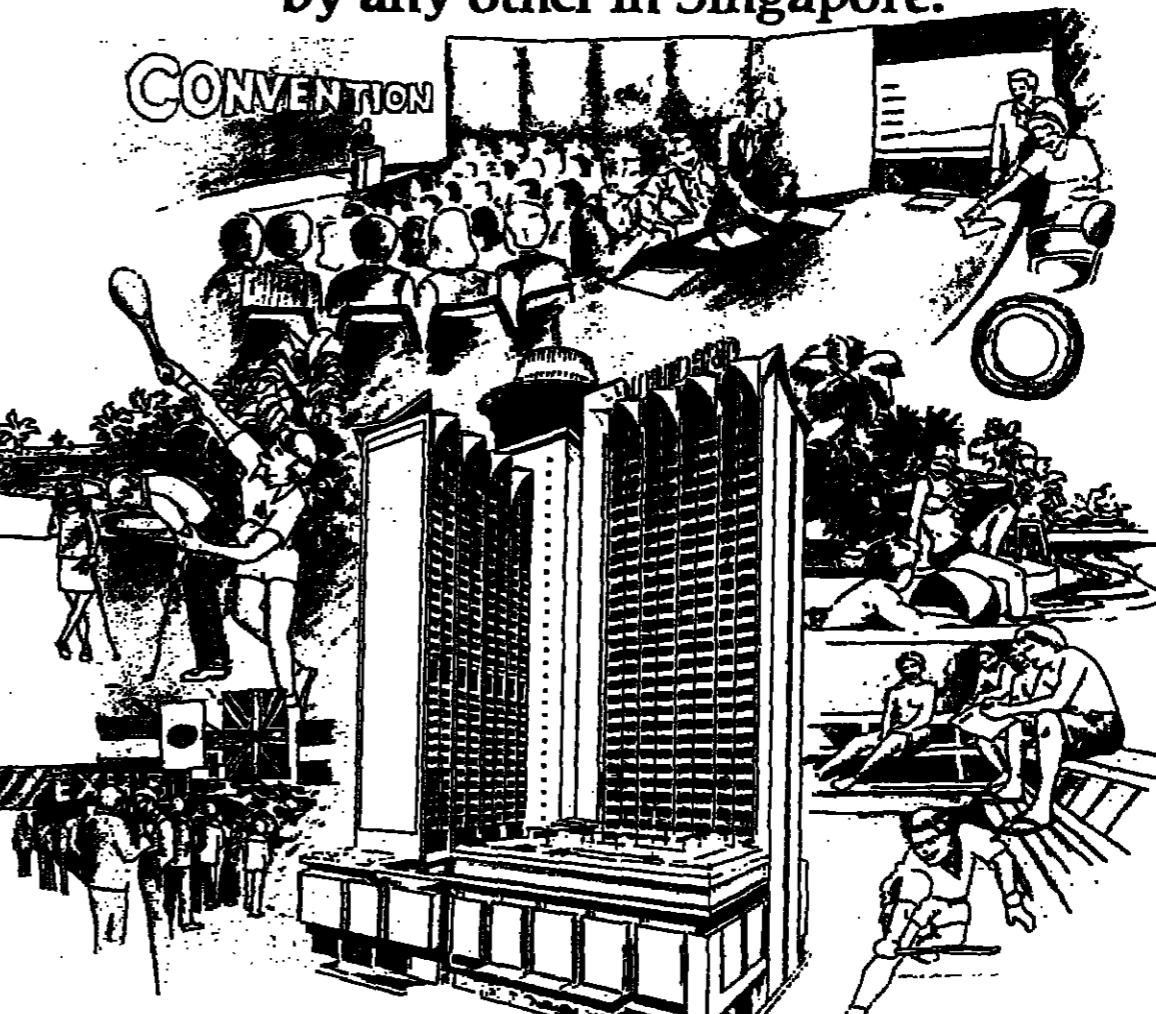
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Essay: Criticism Should Be Based on a True Understanding

By Dick Wilson

LONDON (IHT) — Soon after I began to live in Singapore, almost 10 years ago, I received a letter from the Ministry of Culture. It was signed by a person who called himself "Director, Undesirable Publications." A magazine had arrived from abroad for me that he was not allowed to have the post office deliver. All very Orwellian, one may say, but in fact, I was entering the halfway house between good old-fashioned Chinese authoritarianism (which would simply have confiscated the periodicals in question) and liberal Oxbridge democracy (where there would have been no such restriction at all).

Eventually, I signed a pledge that I would not show these pernicious materials to Singapore citizens and that I would either destroy or re-export them. It was, incidentally, the Peking Review that I was trying to have delivered.

The Singapore dilemma is personified by Prime Minister Lee Kuan Yew himself. Brilliant, hard-headed, clear-sighted and charismatic, this unusual leader is troubled, as was Nehru, by "cultural schizophrenia." Mr. Lee has the manners and the values of a Cambridge graduate and yet he is doomed to preside over what Mary Turnbull, in her new history of Singapore, has described as a "mini-middle kingdom" in Southeast Asia.

Westerners assume that Singapore may be treated as an Anglo-Saxon product. Actually, it is almost fully Chinese. The Western press does not belabor Chairman Hua Kuo-feng in Peking or Sir Murray MacLehose in Hong Kong for denying democratic or civil rights to their subjects. Yet Mr. Lee, trying to perpetuate a state only half the size of Hong Kong in a culturally hostile Malay environment, is singled out for betrayal of his Oxbridge values. China and Hong Kong, one revolutionary and the other colonial, do not pretend to be democratic. Singapore does pretend, and therein lies its difficulty.

Communists

Foreign attention focuses on the 60 or so men and women detained without trial. The Singapore government explains that it cannot deal with its Communist opponents through the courts because of what Mr. Lee has described as "the ter-

ror of retribution in the minds of those who are enmeshed in the Communist conspiracy." The witnesses whose testimony would be required in a court of law would simply not come forward.

Singapore can point to a precedent set by the British colonial authorities, who in the late 1940s and 1950s had to detain 20,000 local people without trial in order to go home.

Mr. Lee insists that his detainees "can walk out of detention at any time by signing a simple undertaking (pledge) that they will not in future, either directly or indirectly, help the Communist Party of Malaysia or any of its auxiliary organizations to overthrow the constitutionally elected government of Singapore."

One detainee, Shamsuddin Tung, a journalist, wrote to the press offering to sign such an undertaking, but he is still behind bars. Having detained him for helping the Communists, the government could hardly allow him to go free by stating, as Mr. Tung was ready to do, that he had never in the past and never would in the future do such a thing.

Hence the unseemly and cruel jail "conversations" and televised "confessions" by people who, in the eyes of those who knew them best, had never intended to overthrow the government.

The Internal Security Department (ISD) is answerable only to the prime minister. There have been nasty suggestions in the past year or so that its officers have increased the cruelty of their interrogation and are blessed with a rather low degree of sophistication in their judgment of political attitudes.

The prime minister has a short answer to the former suggestion: Any aggrieved person can sue the officers concerned in the Singapore courts. He does not find this advice inconsistent with his own refusal to charge detainees in his courts. One wonders how successful a former detainee would be in finding witnesses to support such allegations in court.

Mr. Lee once answered his Amnest International critics by declaring that "they must know" that the detainees are Communist or Communist supporters. In other words, one must rely on his judgment and that of the ISD on the complex question of whether a man is a Communist supporter.

China and Hong Kong, one revolutionary and the other colonial, do not pretend to be democratic. Singapore does... and therein lies its difficulty.

Foreign Minister Simathambay Rajaratnam hailed the last election landslide for the People's Action Party (PAP) as a mandate "to fight the Communists and the pro-Communists." One shudders at the way that latter phrase could give to the heavy-handed elements available in the background of the party and administrations.

Sometimes it looks as if the ISD is constructing a network of dossier on almost every Singaporean of sufficiently independent opinion to brush against the government, even on minor questions, so that eventually the authorities could, in an emergency, round them up. The confessions obtained from detainees read all too often along the lines that "A is a radical who was involved in the such-and-such pro-

test. He knows B, C, D, E and F." (Sometimes at the end, one finds a name that temporarily suspends belief, such as the "Peter Pan" who was found to be one of the Communists agents in Australia.)

Why is all this necessary? Was not the PAP voted into power at the last count by 72 percent of the electorate? Enoch Powell, in another context, has recently drawn attention to the fact that 10,000 Norwegians conquered one million British in 1066. By this reckoning, the 2 million Singaporeans could possibly be defeated by 20,000 Communists. By coincidence, this happens to be the number of people that the British found necessary to detain 30 years ago.

The PAP now says officially that

Communism is on the decline in the schools. Its recruits the prime minister has said with pride, are "no longer the bright ones."

This trend has led to the promise that suitability certificates for university entry may be suspended, an action that would, as a focal paper commented, "encourage activities that will foster political leadership abilities."

The fact remains that a relatively small number of dedicated and efficient Communists would still be capable of knocking out Singapore as we know it today. No honest person envies the government's security problem.

Some observers put it this way: that Singapore is sacrificing little freedom for a lot of efficiency. Efficiency there certainly is. If heroin

traffickers become too greedy, then let them be hanged (two were). If courtesy is needed for tourism, let 200,000 "Courtesy is our way of life" buttons be distributed. If too many medical students are staying abroad after graduation, then let them be bonded to come back.

A Plastic Bag

But the Singaporeans are not superhuman. Recently, ship repair workers left a plastic bag in the works, causing the ship to break down a few miles out at sea. Rolle, the German cameraman, has found that local skills at its highly sophisticated plant in Singapore are not as great as company officials had hoped.

Frances Khoo, a young lawyer

and political cartoonist, escaped detention by not answering the ISD's knock on the door of his 18th-floor flat at 3:30 in the morning so that the security officers went away.

The question at the heart of all this is not efficiency, but the survival of present Singapore society. The junior minister for education put it well in a speech to Catholic teachers: "The notion of allowing an individual to develop in accordance with his nature is more romantic idealism," he said. Education is "above all a social means to a social end: a means by which a society guarantees its own survival."

The catch is that society needs leaders, and good leaders evolve their views and their skills by personal experience in political action, not by soaking up ready-made propaganda.

Mr. Lee has produced a good phrase in this connection. In the course of praising his two sons, Hsien Loong and Hsien Yang, for surviving three years at Cambridge University without growing their hair long, he explained that they had a "total value system. I am glad I have come to learn your science, your technology.... I have not come here to have long hair, wear dirty jeans, walk about barefooted, wear T-shirts with strange slogans on them."

Moral Modulator

These two young men had "a moral modulator" that enabled them to draw this distinction in their everyday lives. The prime minister estimates that only 50 people in the state possess this precious modulator and it is on these 50 that the future of Singapore depends.

Mr. Lee is found of saying that

Press Is Distrusted But Not Often Muzzled

television to "confess" to allegations that a Marxist background had led to his portrayal of Singapore as fascist.

A 1977 amendment to the News-paper and Printing Presses Act of 1974 restricted individual or corporate ownership of any Singapore newspaper to 3 percent, effectively breaking the family holding pattern of local Chinese papers.

Signs of Life

Nevertheless, there are signs of life in the Singapore press. Even if reporting of local events is sometimes stifled, it is rarely, if ever, entirely muzzled.

Major interest has been focused on suggestions that another English-language daily may be in the offing, to compete with the well-entrenched Straits Times group,

Finally, it is suggested that the government's preoccupation with upgrading the standard of English will ultimately reduce Chinese newspaper readership to a point where one of the two leading Chi-

t through either sanctioning direct competition or merely threatening it.

Another theory is that the Straits Times' near-monopoly position frustrates government attempts to achieve the desired degree of control, and a new entry would solve this problem.

It is estimated that at least \$10 million (nearly U.S.\$5 million) would be required to launch a new English-language paper. However, there is some question whether there is sufficient local journalistic talent to staff a new undertaking.

—F.W.

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Singapore's role in this is not as simple as one might think. With Chinese accounting for 78 percent of the population, Singapore wants at all costs to avoid becoming—or seeming to become—an outpost of Chinese expansion into Southeast Asia. For this reason, Mr. Lee has repeatedly said Singapore will be the last of the ASEAN nations to join the ASEAN nations to establish diplomatic relations with Peking, Manila, Bangkok and Kuala Lumpur have had no such compunctions and enjoy friendly direct ties with Peking. However, Singapore will have to continue to compete with Indonesia for last place.

Peking is said to understand the situation and has not pushed Singapore for recognition. And the visit here last month of Chinese Deputy Premier Teng Hsiao-ping, as part of his Southeast Asian tour, did not create world-shaking headlines.

A reluctance to seem to be grasping for regional leadership keeps Singapore at a low key within ASEAN. In the capitals of Europe and North America, Mr. Lee is welcomed as the most articulate and compelling of the ASEAN leaders, as he was during his wide-ranging trip in October. In his own backyard, he defers politely to others.

That role is not always easy. Singapore wants to push regional free-trade reform and economic development faster. When Indonesia balked over establishing a diesel-engine plant in Singapore as a joint ASEAN project, Singapore found a Western manufacturer to build the plant without ASEAN financial participation.

In order to protect their timber resources, other ASEAN states have restricted logging. The result is a sharp fall in Singapore's export trade in logs, and Singapore business have been complaining about it.

While politically—and strategically—ASEAN is a most fortunate vehicle for Singapore's desire to be free of big and little power competitions, economically the collaboration is slow and agonizing.

Consequently, Singapore is looking outside its immediate ASEAN environment for other outlets for its business activities. This summer, it sought to widen new ties with Bahrain, Sri Lanka and Bangladesh. Singapore sees itself now as a supplier of technology to less developed countries rather than as a primary producer of cheap-labor con-

sumer products. Mr. Lee has said he believes Singapore can not serve as a development model for less fortunate countries.

Despite the prospects of détente with Communist nations, Singapore still sees itself tied economically to the developed nations of the West.

During his trip to Western Europe and the United States in October, the prime minister fought against what he sees as a new wave of protectionism in Singapore's chief markets. "I sense a lot of nerve in some leaders in government and in industry and among some academics in the West," he told an audience in Florida. "The confidence in (the) working (of) the free market system has been shaken."

He declared: "The irony is that just as the truth is becoming apparent to the leaders of developing countries, the new models of growth, South Korea, Taiwan, Hong Kong and Singapore, in the danger of protectionism in industrial countries."

It is felt that the breathing space allowed by the internal fending off of Communist neighbors must not be wasted; but should be used to rare opportunity to build strong and healthy societies in non-Communist Southeast Asia. For ultimately, it is not fear of Chinese hordes or Soviet gunships but the possibility that Communist insurgents will take advantage of the region's weaknesses that locates the real threat.

Mr. Lee seeks some sympathy for that position from the governments of the West. Singapore is seeking aid, rather than an enlarged commitment of industrial investment and a commitment to free trade.

A large delegation from the European Economic Community visited the ASEAN nations this autumn to probe ways to increase European investment in these countries and improve trade between the EEC and ASEAN. This was an important step because for the first time ASEAN and the EEC dealt with each other as regional organizations. Previous contacts had been bilateral talks between individual member nations.

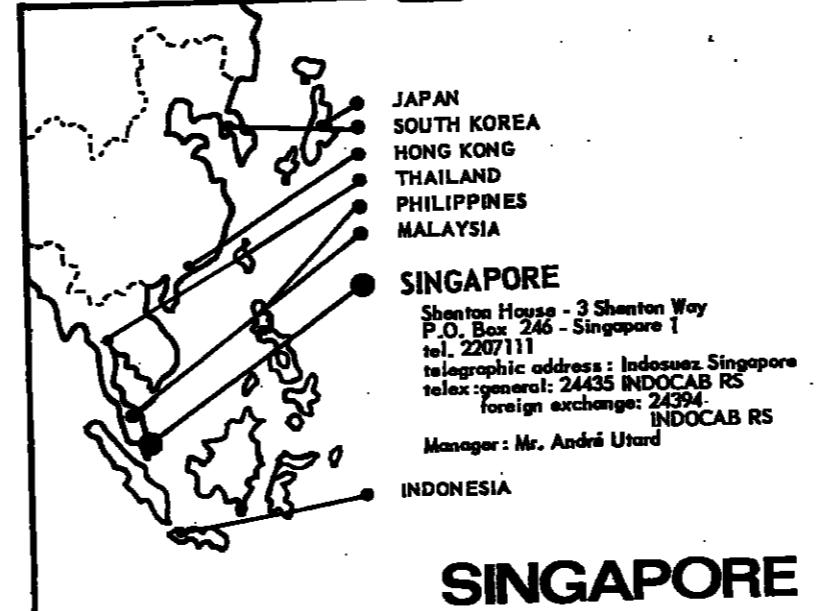
Singapore's leaders hope that there will be many more meetings between the EEC and ASEAN.

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Euromarket

Eurobond Prices Sharply Lower, Beset by Monetary Uncertainties

By William Ellington

LONDON, Dec. 17 (AP-DJ) — Eurobond bond prices fell sharply last week as political and monetary uncertainties caused investment demand to dry up.

In general, prices fell far enough to push yields of medium-term Eurodollar note issues up by about 30 basis points while long-dated yields rose by around 20 basis points.

Despite the increase in yields, returns on short-term investment remained above bond yields. Consequently, dealers said that there still was not much incentive for investors to commit funds to the bond market. Among uncertainties facing investors were the impact of the weekend's oil-price meeting in Abu Dhabi on financial markets, particularly in Iran which threatens the leadership of Shah Mohammed Reza Pahlavi, and an apparent impasse in peace-treaty negotiations between Israel and Egypt.

Moreover, the dollar came under pressure last week despite central bank support and sentiment among foreign exchange dealers turned decidedly bearish. Since some dealers had hoped that potential appreciation of the dollar would outweigh gains among investors about a possible further rise in short-term interest rates, disillusionment was manifested by a marking down of bond prices.

Another negative influence on the market was a further decline in long bond prices. A \$250-million, one-year domestic note issue of Ford Motor Credit, which is AAA-rated by Moody's and AA-rated by Standard and Poor's, was not well received despite generous terms. The 9.5 percent notes were offered at 100.125 and produce a yield on an annual

coupon basis comparable with Eurobonds of 9.70 percent.

Since this yield was considerably higher than comparable Eurodollar issues, it served to illustrate the extent that the Eurodollar bond market was out of line with its bigger New York cousin.

"It only required a faltering in the dollar's progression to trigger a reaction in a market that had already outrun its U.S. domestic and Yankee counterparts," Kidder Peabody International told its clients.

The investment bank said that, taking into account the dollar's near-term uncertainties, the likelihood of rising interest rates and the possibility of an increased flow of new issues, it would advise caution at present.

However, the only straight dollar issue under offer at the end of the week was reportedly receiving considerable demand from large institutions, albeit at generous concessions from issue price. The unusually structured \$50-million, 20-year issue of the European Coal and Steel Community (EESC) bears interest at 9.75 percent for the first five years and 9 percent for the remaining 15 years.

According to market participants, the issue was being made available to large institutions at a discount of 1.5 percent from issue price, which will be fixed by the syndicate manager, S.G. Warburg and Co., on Tuesday. Earlier in the week, Union Bank of Switzerland (Securities) Ltd. placed privately a \$15-million, 10-year issue of the European Investment Bank at 9.975 bearing 9.375 percent to yield 9.40 percent at maturity.

Union Bank is also managing a convertible bond issue for Brown Boveri and Co., which underwriters describe as "hot." The issue comprises 80,000 bonds, whose par value will be fixed later, probably at \$1,000. Each bond is convertible into five Brown Boveri participation certificates, which are non-voting bearer shares listed in Zurich.

NEW YORK, Dec. 17 (NYT) — "My clients read all the threatening news about the economy and the stock market," a Wall Street broker lamented last week, "and that just keeps them holding onto their cash all the tighter."

It was a week full of dire forecasts about the heights about to be scaled by both interest rates and the inflation rate.

As for the Dow Jones industrial average, it sank 6.50 points to 805.35, after edging ahead less than 2 points during the two preceding weeks.

A set of uncertainty, including possible increases in the price of imported oil, washed over the stock market Friday, a session that trimmed 7 points off the Dow.

Henry Kaufman, a partner of Salomon Brothers, weighed in with his view of credit demands and the U.S. economy for the coming year. It was not the sort of prediction calculated to make people rush out and buy stocks and bonds.

Record Prime Rate Predicted

He sees the prime rate imposed by commercial banks moving ahead from the present 11½ percent to the 13-percent level — a figure that would shatter the record 12 percent reached in 1974. He envisages an inflation rate climbing to between 9 and 10.5 percent.

All of which is not to suggest that brokerage firms and investment counselors are bereft of investment suggestions:

For the long-term investor whose sights — and fond hopes — are oriented to capital gains, the research department at Smith Barney, Harris Upham made these comments:

"We're particularly interested in medical-treatment and computer-technology companies at this point. Buying opportunities have surfaced once again and we would recommend three stocks in particular: Cobe Laboratories, a manufacturer and marketer of hemodialysis and cardiovascular therapeutic systems; Puritan-Bennett Corporation, whose specialized products include inhalation-therapy and respiratory units, medical gas distribution equipment and high-altitude emergency oxygen equipment; and U.S. Surgical Corp., a specialist in surgical stapling devices."

"Many smaller-growth computer-technology companies offer similar strong productivity-gains potential at a reasonable price. Our choices include: Amdahl Corporation, which specializes in communications processors to facilitate data communications; Cray Research, a manufacturer of scientific computers and software; Storage Technology, a maker of data-storage systems; and Prime Computer, a manufacturer of minicomputers and systems."

Boveri and Co., which underwriters describe as "hot," whose issue comprises 80,000 bonds, whose par value will be fixed later, probably at \$1,000. Each bond is convertible into five Brown Boveri participation certificates, which are non-voting bearer shares listed in Zurich.

(Continued on Page 9, Col. 1)

The blue-chip Swiss capital equipment manufacturer is expected to pay a 4.5 percent coupon rate for its 15-year issue.

Also in the market is an option maturity, floating rate note issue for Bank für Gemeinwirtschaft, a

(Continued on Page 9, Col. 1)

neics. They introduced separate bills this past session to abolish the U.S. Metric Board on the ground that conversion should proceed at the pace of the marketplace without government intervention. But consumers oppose it by 2 to 1.

In a recently released progress report on metrication, the General Accounting Office observed that the primary reason for conversion in the United States is the belief that it is inevitable, rather than an assessment of any certain benefits to be derived from it. (A mere 5 percent of the Fortune 500 felt that shifts in measurement would significantly promote international trade.)

Given the costs, which the GAO estimates in the billions of dollars, the government watchdog agency recommended a go-slow attitude toward metrication until Congress can decide whether the use of the metric system warrants the effort and the expense.

The GAO instigated the report, officials insist. Yet its point of view is shared by two conservative Republican congressmen, Eldon Rudd of Arizona and Philip Crane of Illinois.

An industry group reported con-

Commodities

Gold Futures Rise Amid Inflation Worries

By Sue Shellenbarger

CHICAGO, Dec. 17 (AP-DJ) — New worries about inflation netted small price increases for gold futures last week, while soybean, cattle and lumber futures rose on news of strong demand and shrinking cattle herds.

The U.S. dollar, fresh from a brilliant November recovery on foreign money markets, slipped lower as oil-producing nations meeting at Abu Dhabi, United Arab Emirates, appeared set on raising oil prices despite pleas from President Carter. Gold futures gained about a dollar an ounce for December contracts.

But strength in oilseeds did not carry over into the wheat and corn pits, as wheat futures fell as much as 14½ cents, closing at \$3.60½ a bushel for December, and corn futures were 3½ to 7 cents lower at \$2.18½ a bushel for December.

In the wheat market, rumors of a jumbo rail shipment of wheat to Chicago by a major exporter were dashed by Friday, and expected big deliveries against the December

contract failed to materialize. Although December prices jumped 11½ cents as a result of buying by local traders, the leap was insufficient to erase sharp losses earlier in the week.

Fueling a wheat-futures price recovery of from 2 to 11½ cents Friday was a U.S. Agriculture Department report that 406,400 tons of wheat exported recently went to China.

But Public Resists System

U.S. Big Business Slowly Metrics

By Nancy L. Ross

WASHINGTON, Dec. 17 (WP) — About half of the Fortune 500 companies have begun converting to the metric system, but consumers oppose it by 2 to 1.

In a recently released progress report on metrication, the General Accounting Office observed that the primary reason for conversion in the United States is the belief that it is inevitable, rather than an assessment of any certain benefits to be derived from it. (A mere 5 percent of the Fortune 500 felt that shifts in measurement would significantly promote international trade.)

Given the costs, which the GAO estimates in the billions of dollars, the government watchdog agency recommended a go-slow attitude toward metrication until Congress can decide whether the use of the metric system warrants the effort and the expense.

The board's chairman, Louis Polk, sought to measure the business community last week at a Chamber of Commerce meeting.

"The board has no mandate to

crum anything down anyone's throat and it has no intention of doing so," he said. He suggested that companies convert in conjunction with other changes so as to reduce costs.

Public criticism of U.S. conversion to the metric system has increased during the past year, according to the American National Metric Council, a private group helping companies to convert.

A precipitating event seems to have been the National Highway Traffic Safety Administration's decision in June, 1977, that all speed limits and other highway information would be converted to meters and kilometers by 1982. Of more than 3,000 comments received, 98 percent were negative.

A public opinion poll conducted for the GAO showed that half the people responding believed they would not benefit from conversion. The remainder were split between those who believe they would benefit and those that had no opinion.

While the public is once again

(Continued on Page 9, Col. 2)

Over-Counter Market

Sales in 100s High Low Last Chg

Over-Counter Market

Chicago Options Table

Option & price	Vol.	Lost	Vol.	Lost	Vol.	Lost	Vol.	Lost	Close	Option & price	Vol.	Lost	Vol.	Lost	Vol.	Lost	Close										
— Dec —	— Mar —	— Jun —	N.Y.	Hornstik	25	11	6½	b	b	b	31½	Xerox	50	458	4	152	5½	28	6½	52½							
Brunts	10	b	b	b	6	3½	13½	Close	Hornstik	30	63	2½	12	b	b	5½	31½	Xerox	60	497	5-16	213	13-16	107	2-12	16	52½
Brunts	15	b	b	b	78	11-16	13½	Hou OM	Hornstik	35	294	1-16	58	4½	129	1½	31½	A E P	20	131	11-16	15	1½	14	2½	21½	
Dow Ch	25	b	b	b	8	2-16	25½	Hou OM	Hou OM	15	436	7½	276	3-16	3	76	A E P	25	o	o	11	1-16	19	3-16	21½		
Dow Ch	30	b	b	b	21	1	2½	Hou OM	Hou OM	20	26	402	1-16	119	11-16	16	A E P	25	o	o	11	1-16	19	3-16	21½		
Ford	45	b	b	b	5	1-16	41	I N A	Hou OM	25	87	1-16	52	5½	163	1½	31½	A M P	40	19	22	5-16	18	3-16	3	25½	
Ford	45	b	b	b	1	4	41	I N A	I N A	40	45	2	6	30	½	3	A M P	40	19	17	1-16	23	o	o	32½		
Gen El	55	b	b	b	7	13-16	47	I B M	I B M	240	455	36½	311	41½	b	b	274½	Bally	30	137	12½	138	14½	o	o	41½	
G M	50	b	b	b	10	8	55½	I B M	I B M	240	1643	3-16	22	2½	163	4½	32½	Bally	45	117	8½	10	11½	18½	19	41½	
G M	50	b	b	b	100	21-16	55½	I B M	I B M	260	1620	18½	163	2½	41	32½	Bally	45	200	56½	52	44	8½	19	41½		
G M	60	b	b	b	93	2	55½	I B M	I B M	260	2784	1½	194	6½	106	274½	Bally	50	117	7-16	59	1½	14	2½	41½		
G M	60	b	b	b	10	41½	55½	I B M	I B M	280	2577	5½	117	14½	102	24½	Bally	50	145	7-16	59	1½	14	2½	41½		
G M	70	b	b	b	2	14½	55½	I B M	I B M	300	1862	13-16	109	5½	139	11½	274½	Bally	70	115	5	2½	16	16½	14	41½	
Gif Wn	15	b	b	b	116	14	14	In Har	In Har	30	40	328	25	23	21	31	274½	Baxter	45	20	15-16	o	1	11½	o	41½	
ITT	25	b	b	b	10	1½	27½	In Har	In Har	35	114	15-16	o	3	11-16	2½	34½	Baxter	50	5	2½	16	16½	14	41½		
Kenn C	25	b	b	b	5	4½	21½	In Har	In Har	40	30	3½	1½	2	2½	2½	34½	Baxter	55	15½	15½	15½	15½	15½	15½	41½	
Kenn C	25	b	b	b	31	2-16	21½	In Min	In Min	35	35	3	½	2	2½	2½	34½	Blin Dk	15	5	2½	16	16½	14	41½		
N C R	60	b	b	b	38	5½	59½	In Pop	In Pop	40	39	11-16	65	1½	16	1-16	2½	38	Blin Dk	20	95	9½	10½	10½	10½	10½	41½
R C A	25	b	b	b	9	3½	25½	T T	T T	35	25	2½	2½	2½	2½	2½	27½	Boeing	45	129	20½	26	22½	16	20	70	
Sears	25	b	b	b	2	3	21½	T T	T T	35	155	½	27	3½	3½	3½	27½	Boeing	70	2121	54	52½	9½	13½	11½	70	
Sears	25	b	b	b	22	3½	21½	John J	John J	40	4	13½	b	b	7½	7½	27½	Boeing	80	2031	2-16	58½	5½	67	7½	70	
Syntex	40	b	b	b	8	4½	34½	John J	John J	50	42	½	29	1½	25	3½	27½	Bols C	30	2	3½	16	13-16	o	o	27½	
Alcoa	40	1	7½	a	5	11	46½	K mart	K mart	50	25	32	½	4½	25	25	25	C B S	40	5	3	½	16	5½	5½	27½	
Alcoa	45	29	½	10	5	3½	46½	K mart	K mart	50	10	1-16	7	½	16	1-16	25	Coke	45	55	4½	4½	4½	4½	4½	27½	
Am Exp	35	27	½	12	2½	30½	Kenn C	Kenn C	20	88	2½	4½	3½	1½	25	25	Coke	50	230	17-16	12	2½	16	2½	27½		
Am Tel	60	29	1-16	13½	3	2-16	46½	Kenn C	Kenn C	25	720	½	38	1½	25	25	Colegt	20	29	3-16	o	3	2½	1	24½		
Att R	45	12	½	13½	2½	15-16	Kerr M	Kerr M	40	14	7½	½	12	4½	25	25	Colgate	30	13	½	16	16½	14	16½	27½		
Att R	50	57	½	16	1½	28	Kerr M	Kerr M	45	46	½	4½	25	25	25	Colgate	45	45	½	16	16½	14	16½	27½			
Avon p	45	3	1-16	1½	1½	1½	Mc Don	Mc Don	50	20	15-16	35	3	b	b	48½	Mc Don	50	5	½	16	16½	14	16½	27½		
Avon	50	110	3½	91	½	6½	52½	Merck	50	13	14½	1	15½	3	16½	25	25	Gn Dyn	70	73	11	5	13½	16½	16½	27½	
Avon p	50	547	½	20	25-16	7½	52½	Merck	50	117	4½	5½	7½	1	6½	52½	Gn Dyn	70	18	18½	6	21½	16	25	27½		
Avon	60	161	½	78	1-16	2½	52½	Merrill	50	192	½	16	17½	16	16½	25	25	Gn Dyn	70	17	5	13½	16½	16½	16½	27½	
Avon p	60	60	13	7½	15½	8½	52½	Merrill	50	20	30	½	14	13	14½	25	25	Gn Dyn	70	117	5	13½	16½	16½	16½	27½	
BankAm	20	7	6½	25	2½	25	25	Merrill	50	120	½	14	14½	14½	14½	25	25	Gn Dyn	70	120	12	16	16½	16½	16½	27½	
BankAm	25	53	½	16	25	2½	25	Merrill	50	125	½	16	16½	16½	16½	25	25	Gn Dyn	70	125	12	16	16½	16½	16½	27½	
Beth S	20	161	½	16	25	2½	25	M M M	M M M	45	5	16½	½	16	16½	16½	25	25	Gn Dyn	70	125	12	16	16½	16½	16½	27½
Beth S	25	223	½	16	25	2½	25	M M M	M M M	50	76	11½	½	16	16½	16½	25	25	Gn Dyn	70	125	12	16	16½	16½	16½	27½
Beth S	30	½	16	25	2½	25	25	M M M	M M M	50	72	3½	½	16	16½	16½	25	25	Gn Dyn	70	125	12	16	16½	16½	16½	27½
Brunts	10	10	½	16	25	2½	25	Monsan	Monsan	45	5	16½	½	16	16½	16½	25	25	Gn Dyn	70	125	12	16	16½	16½	16½	27½
Brunts	15	45	½	16	25	2½	25	Monsan	Monsan	50	47	1	14	22	25	25	25	Gn Dyn	70	125	12	16	16½	16½	16½	27½	
Burl N	35	22	½	16	25	2½	25	Monsan	Monsan	50	57	½	16	25	25	25	25	Gn Dyn	70	125	12	16	16½	16½	16½	27½	
Burl N	45	21	½	16	25	2½	25	Monsan	Monsan	50	57	½	16	25	25	25	25	Gn Dyn	70	125	12	16	16½	16½	16½	27½	
Burrigh	50	7	16½	25	2½	25	25	Monsan	Monsan	50	57	½	16	25	25	25	25	Gn Dyn	70	125	12	16	16½	16½	16½	27½	
Burrigh	50	35	½	16	25	2½	25	Monsan	Monsan	50	57	½	16	25	25	25	25	Gn Dyn	70	125	12	16	16½	16½	16½	27½</td	

Financial Week

Standard Forecast in U.S. Predicts 1979 Recessions

By Leonard Silk

NEW YORK, Dec. 17 (NYT)—The standard forecast for 1979—the consensus of the nation's business and academic economists—is moving down. But it still calls for a moderate recession or an ad-

so sluggish as to be called a "growth recession"—one in which unemployment will rise despite a small gain in real output.

It revolves an annual increase of about 3½ to 4 percent in real gross national product—total output corrected for inflation—for unemployment to stay the same, because of the rise in the labor force and productivity.

Although it is impossible to know every forecast in the country, especially because many are kept confidential, Egerer Enterprises of Sedona, Ariz., which is headed by Robert Egerer, former chief economist of the Ford Motor Co., regularly collects 40 so-called "blue chip" forecasts for a

decline in real profits next year of 5 percent or more.

Without exception, the economists expect unemployment to rise to 6½ percent. The range of their forecasts, however, is fairly wide. Econoviews International, the most optimistic, is saying that unemployment will average 6½ percent; Econoviews expects real GNP to gain 4.2 percent. But Sindlinger, the most pessimistic and a maverick among forecasters, says unemployment will average 7.8 percent next year. Sindlinger is predicting that real GNP next year will decline by 2.1 percent.

The only Sindlinger among the 40 forecasting a decline in real GNP, 52 percent of the "blue

chip" forecasters are expecting a real recession, rather than just a growth recession, next year. The reason the predicted gains in real GNP for next year can rise with a real recession in prospect is that, coming off the fourth quarter of this year, GNP could show zero growth throughout next year, quarter by quarter, and still average higher than this year—because this year's fourth quarter was the highest of the year.

Forecasts Are Bunched

The economists' forecasts usually don't stray too far from the consensus position. Some suspect that this is a sociological phenomenon, because economists are a clannish group and talk to each other constantly. Furthermore, fears are bold enough to hold out against the crowd.

But a few economists play it the opposite way, convinced that most people will forget a poor forecast but remember a bold and unusual one that hit the outlook right on the nose.

Indeed, business economists routinely change their forecasts to catch up with events. David Grove, the former chief economist of International Business Machines (which usually keeps its forecasts confidential) used to say: "If you can't forecast, forecast often."

Another reason most economists do not stray too far from the consensus is that the standard forecast has generally been pretty good—except in highly unusual years.

Last year's standard forecast was not too far off in most respects. In December of last year, the average prediction of the 40 "blue chip" forecasters was that real GNP would gain 4.2 percent this year; the actual gain this year promises to come in at 3.8 percent.

However, the economists were too optimistic about inflation this year. Last December, they predicted, on the average, that the price index used to correct GNP would rise by 6 percent this year; the actual increase now looks like 7.5 percent.

At the same time, the forecasters were too pessimistic about unemployment. The average forecast was that the jobless rate would be 6.7 percent, but it has averaged about 6 percent.

Most of the economy, as might be expected, is with multinational corporations, but two major industries, aviation and petroleum, have adopted the attitude that because the world is used to the U.S. system, there would be little benefit in changing.

U.S. Moving to Metrics

(Continued from Page 7)

version in the United States would stand at a standstill.

GM's target date for predominantly metric passenger cars is 1982; Chrysler, the late 1980s; Ford and American Motors, the early 1990s. GM also plans metric equivalents for the measurements of trucks by 1982. Moreover, GM has found that conversion is not as expensive as it had anticipated. In 1976, it estimated that its costs would be only 3 or 4 percent of the original 1966 estimates.

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Apart from the pharmaceutical industry, which has used the metric system for years, the automotive industry—really General Motors Corp.—leads the way. In fact, the report noted, GM's competitors and suppliers told the GAO that if it were not for its leadership, con-

cerning the costs of dual inventories during conversion and employee training in metrification.

Most of the economy, as might be expected, is with multinational corporations, but two major industries, aviation and petroleum, have adopted the attitude that because the world is used to the U.S. system, there would be little benefit in changing.

A syndicate led by Creditanstalt-Bankverein in Vienna is offering what might be described as a hybrid between a Eurobond issue and a foreign issue in the sense that most of it is being floated on the Austrian capital market but a portion will be marketed outside Austria by five traditional Eurobond underwriters in other countries.

The 40-million Austrian schilling, eight-year issue of the EIB will bear 7.75 percent and be priced at 99.8 to yield 7.78 percent. A purchase fund starts in 1981, which will reduce the average life to 6.75 years if fully exercised.

The banks marketing the issue outside Austria are the Abu Dhabi Investment Co., Banque Bruxelles Lambert, European Banking Co.,

outstanding to a relatively short 7.5 years.

Westdeutsche Landesbank is also handling a 50-million-DM, 10-year Brazilian government issue bearing 7.25 percent which was raised from 100 million DM because of strong demand. Priced at par, the issue was quoted at 99.75-100. Accounting for the issue's success is a bilateral tax convention between Germany and Brazil that allows domestic German institutions to purchase such bonds with favorable tax treatment.

Underwriting sources were expecting a syndicate led by Deutsche Bank to shortly launch a 200-million-DM, 12-year issue for the European Investment Bank with a 6.5-percent coupon.

Meanwhile, a syndicate led by Westdeutsche Landesbank issued a 150-million-DM, 10-year Norges Konservabank issue. Guaranteed by the Norwegian government, the issue provides a sinking fund starting after four years, which will reduce the average life of the amount

Kreditbank SA Luxembourg and Swiss Bank Corp. (Overseas) Ltd. Co-managing the domestic portion of the issue, equivalent to \$8.8 million, are Girozentrale und Bank and Oesterreichische Landes-

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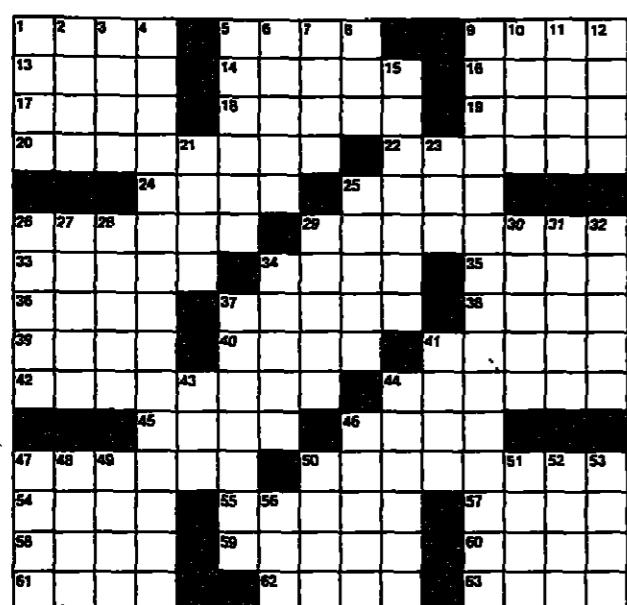
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CROSSWORD

By Eugene T. Maleska



ACROSS

- 1 W. W. I French two-seater plane
5 Word with stick or dash
9 Landing site in '44
13 "Tollers of the Sea" novelist
14 Peels
16 Mind
17 Neutral color
18 Clumsy
19 Sarah — Jewett
20 Albatross et al.
22 Olfactory items
24 Clark's newspaper associate
25 — Act of 1715
26 Concup
29 Persist
33 Farmland sights
34 Firefighting equipment
35 Dozes
36 Duke, e.g.
37 Kind of transit
38 Essence
39 Word followed by handed
40 Part of South Yemen
41 Be in accord
42 Court employee
44 Foundation gifts
45 Ragged

46 Celt

- 47 — Western in "Tom Jones"
50 Principle of royal supremacy
54 Part of Basque game name
55 Kind of peach
57 Sommer
58 Bonn version of nyet
59 Atelier piece
60 Bakery sales
61 Vietnamese coin
62 Deal out
63 Tropical ailment

DOWN

- 1 Females
2 Eureka red
3 Ta's Mahal site
4 Bettor's finale
5 Angel or demon
6 Catches
7 Son of Zeus and Hera
8 Willie —
1942-48 featherweight champ
9 Target range
10 Kind of loan or paper
11 Horne
12 Keats metier
15 Maculate

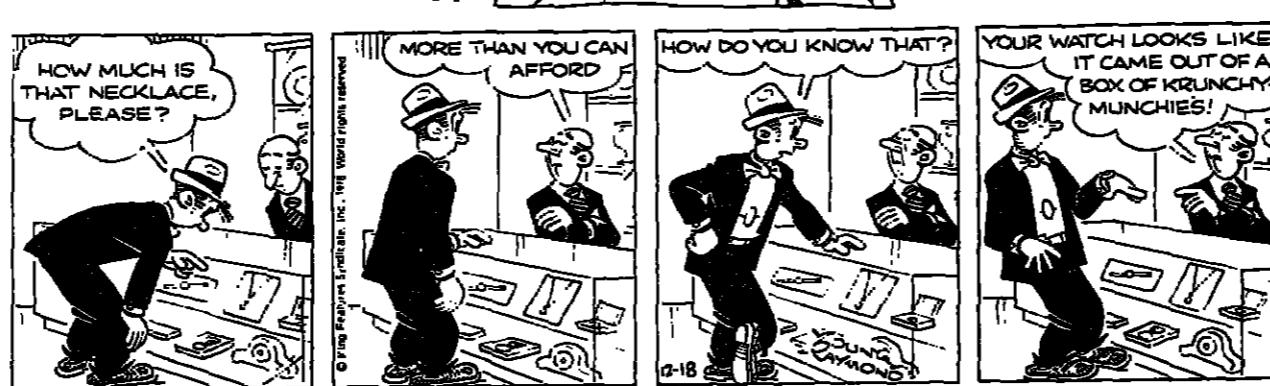
P-E-A-N-U-T-S



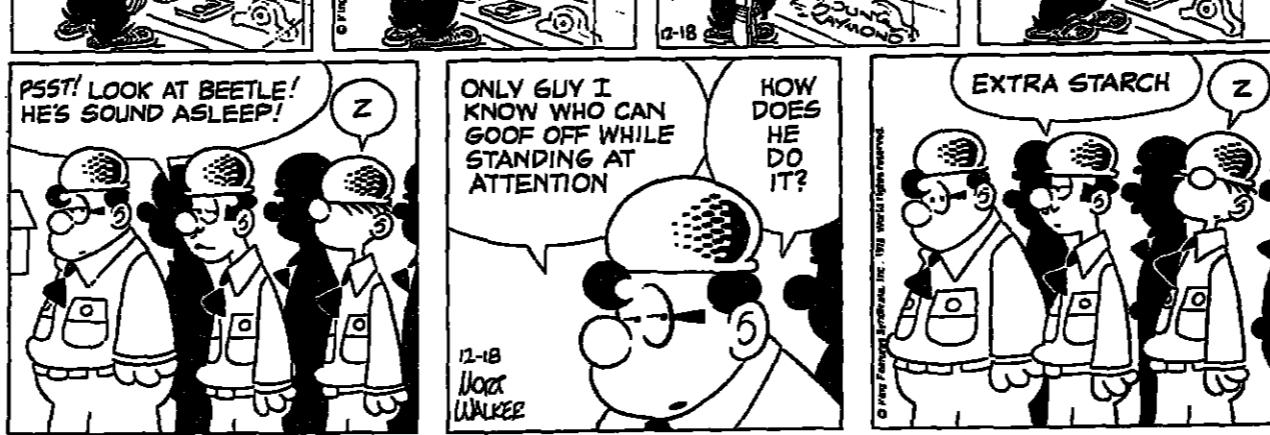
B-C.



B-L-O-N-D-I-E



B-E-E-T-E-B-A-I-L-L-E-Y



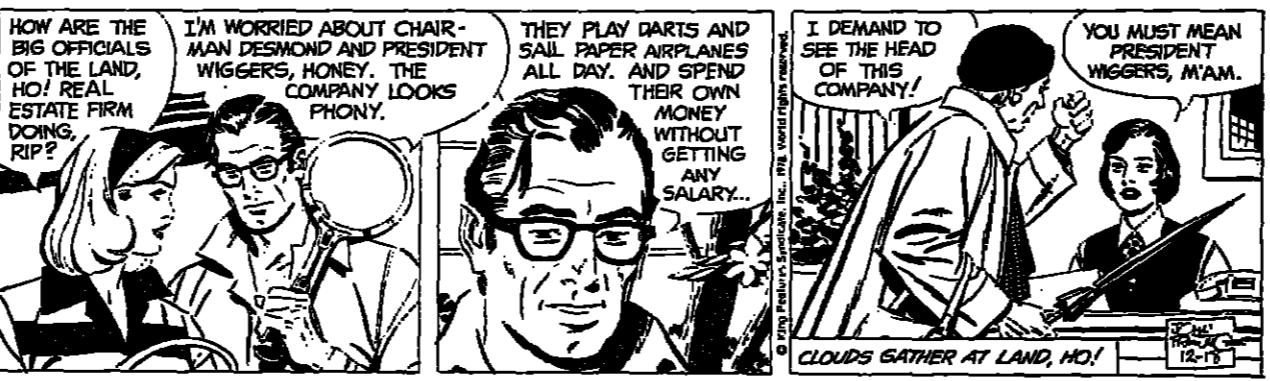
A-N-D-Y



W-I-Z-A-R-D-o-f-R-E-X-M-O-R-G-A-N



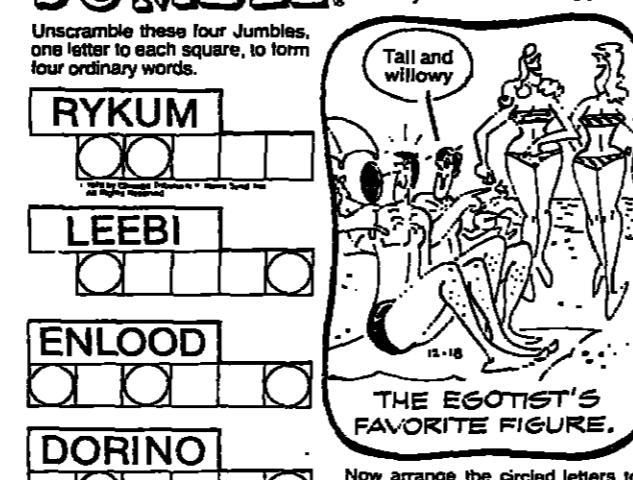
R-I-P-K-I-R-Y-B-Y



JUMBLE

THAT SCRABLED WORD GAME

by Henri Arnold and Bob Lee



Print answer here:

(Answers tomorrow)

Saturday's Jumbles: MEALY CUBIT NEARBY MODEST

Answer: Out of jail—and ill in bed—"B-AIL-ED"

Imprimé par P.I.O. - 1. Bd. Ney Paris 75018

John Kiel

BOOKS

A GOOD SCHOOL

By Richard Yates. Delacorte-Seymour Lawrence. 178 pp. \$8.9

LOVE KILLS

By Dan Greenberg. Harcourt Brace Jovanovich. 277 pp. \$7.95.

Reviewed by Christopher Lehmann-Haupt

WE GET in Richard Yates' thoroughly charming new novel, "A Good School," what seems at first a familiar brew—memories of boarding school days, with the school in question, Dorset Academy, a pathetic parody of a New England prep school on its last financial legs; and the hero and author's persons, William Grove, a perfect wretch of a boy, at least as seen through the eyes of his French teacher, Jean-Paul LePrade. "His tweed suit hung greasy with lack of cleaning; his tie was a twisted rag; his long fingernails were blue and he needed a haircut. He seemed in danger of stumbling over his own legs as he made his way to a chair, and he sat so awkwardly as to suggest it might be impossible for his body to find composure. What an advertisement for Dorset Academy."

Need I add that this teacher, "French" LaPrade, is sleeping with the wife of the chemistry teacher, a victim of polo so ill-coordinated that he cannot achieve suicide. Or that barely-concealed homosexuality runs through the student body like a fever. Or that the school's benefactress, Abigail Church Hooper, makes a speech at the end denouncing World War II as a plot of Roosevelt's "plan to turn us all into Communists and Negroes."

And yet what starts out sounding like an act of vengeance on Yates' part ends up being something entirely different. Somehow, he manages to avoid bitterness, indeed to veer so far from it that he sometimes skirts the edge of sentimentality. But he steers clear of that, too, and what we end up with is both funny and touching, both likable and judicious.

How does he accomplish this?

With the sort of delicately balanced writing that is best illustrated by an editorial that appears in the school newspaper, written by the now-redeemed Bill Grove as a "salute" to the bankrupt school's eventual fate. "It is fitting that Dorset Academy, on delivering its final senior class to the war, will now serve to accommodate blinded army veterans. Men who have lost their sight in combat can hardly be expected to take comfort in a greeting of any kind as they feel their way into a dark and bewildering new place; even so, the Class of 1944 would like to offer them this assurance: There is nothing to fear here. We here before you have seen it all."

Solution to Friday's Puzzle			
ACRE	BULL	LA	SOBE
BOOBY	ORION	1937	UNDERGRUNGE
COOT	1937	TEE	AGENT
DRAKE	9.75	RESTS	PRES
FROG	14.96	TOA	BOA
GEEGO	14.96	SQUEELED	TREASURES
HORN	14.96	ARETE	HERS
IRIS	14.96	SHOME	EMP
KRILL	14.96	PAICA	IRAS
LUD	14.96	SLID	STREW
MAGNET	14.96	KINGUT	TAKAHASHI
NEEDLE	14.96	RAG	ODIUS
OPERA	14.96	ACTOR	HADEN
PARADE	14.96	LAUGHED	SOD
PEACE	14.96	QUIET	WILKE
PIERCE	14.96	ARMED	ARNOLD
PLATE	14.96	FACE	FACE
POLE	14.96	BLAZED	BLAZED

Christopher Lehmann Haupt is a book reviewer for The New York Times.

CHESS

By Robert Byrne

Gambits intensify the difficulty of making decisions about the comparative value of material as against nebulous attacking chances. That is their purpose—to force the defender out of routine schematic thinking into a realm where it's necessary to be original.

Often, a dubious gambit may thus bring out the defender's worst qualities, perhaps a smug, greed that is blind to danger or panic in the face of what may be only ghosts of checkmate.

In the game between John Nunn of the English team and Edwin Shindler of the Swiss team from the 12th round of the World Chess Olympiad in Buenos Aires, Shindler's miserly hoarding of material was responsible for his downfall.

The old Lasker variation (5...P-K4) of the Sicilian Defense leads, in its main line, to a complex struggle after 10...P-B4 in which Black cedes his Q4 square for a powerful white knight outpost, getting in return dynamic counterplay with quick development and the bishop pair. Black has had so much success with this in the last several years that recently a few players have experimented with the wild gambit introduced by the piece sacrifice 11 BxP?

The major question that arises after 12 NxP is what Black should do about his insecure king in the center and his threatened QR. The idea of using this rook aggressively with 12...R-R5 has not worked well—in the game between Karoly Honfi and Leon Piasetski, Subotica 1978, Black had not solved the problem of his king's defense after 13 N/N3-B7ch, K-Q2; 14 O-O, R-R5; 15 Q-R5, N-K2; 16 QxP, K-B3; 17 P-QB4?

To avoid a disturbing check, Black can play 12...R-R2; 13 NxR, NxR, which should lead to an exciting race between White's attempt to promote a queencside pawn and Black's attempt to use

his supply of minor pieces for a mating attack. But maybe Black's best option is a savage counterattack with 12...Q-N4?; 13 N/Q-S7ch, K-Q1; 14 N-R, QxN; 15 R-KB1, QxPch; 16 Q-K2, Q-Q5!, which led to a sharp black victory in the game Honfi-Horvat Sabo 1978.

Bhend's attempt to keep all the marbles with 12...R-QN1?; 13 N/Q-S7ch, K-Q1; 14 N-R, QxN; 15 R-KB1, QxPch; 16 Q-K2, Q-Q5!, was easy to squirm away with 14...N-Q5; 17...R-B3, B-K3, but the black king was still far from safe.

After 17 P-QB3, Black should have fought out of the grip of the white knight with 17...N-N4, although 18 NxN, RxN; 19 P-QB4, would have left the black king precariously placed no matter what Black played.

On Nunn's 18 P-N5ch, it is unlikely that Bhend could have defended himself by the exchange sacrifice 18...RxP; 19 NxB, KxN; NxN4, but he should have tried it. Conserving his material with 18...K-N2 allowed 19 P-N6, cementing the white knight.

The decisive blow was Nunn's 22 P-N7!! pre-empting the black king's last shelter. Bhend had a brief delay of execution with 22...N-Q6; 23 PxP, N-B4; 24 Q-Q4, Q-B4, but after 24...RxP; 25 RxR, he resigned, since 25...KxR; 26 Q-N5ch, K-R2 would have set up 27 Q-N6-mate.

SICILIAN DEFENSE

White: 1. e4 e5 2. Nf3 Nc6 3. Bb5

Black: 1. e4 Nf6 2. d4 Nc6 3. Bb5

All Blacks Beat Barbarians in Stunning Finale

By Bob Donahue

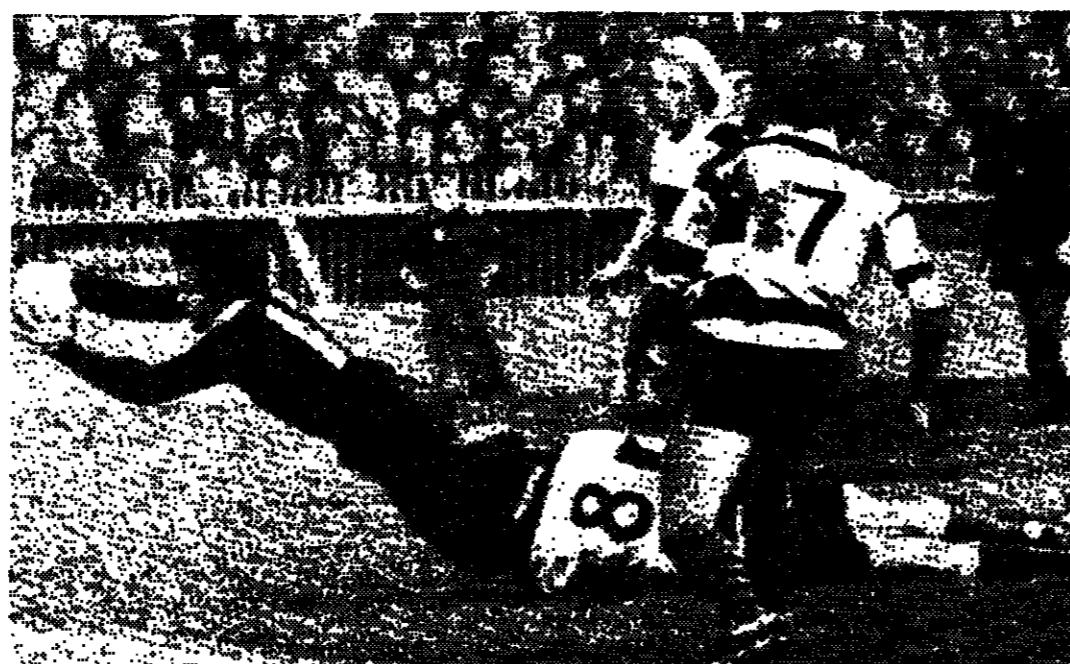
CARDIFF, Wales, Dec. 17 (UPI) — The rugby match of the year kept its promises. A singing full house at Arms Park got a dramatic finish to boot, when the Barbarians brought the best out of New Zealand's All Blacks yesterday. The Blacks deserved to win, 18-16.

In the 23 minutes before the first score, the patchy collection of Welsh, English, French, Scottish and Irish all stars proved that they were a team. Allan Martin and Bill Beaumont at the lineouts, hooker Peter Wheeler in the scrums, flankers Jean-Claude Skrela and Jean-Pierre Rives in defense, a confident Phil Bennett at flyhalf and fullback Andy Irvine, running with superb balance, added up to a threat of a quality that New Zealand will not see again soon.

Those early minutes also signaled that the placekicking of All Black fullback Brian McKechnie was off target. And that the Scottish referee, Norman Sansom, would play a more activist role in the match than a referee ideally should. But mostly, they showed New Zealand's entire determination to pass and run.

McKechnie attacked outside his left wing, the Blacks ran the ball at successive penalties rather than kick for points, wing Bryan Williams failed for the first of three times to make it across on the right, and it was prop Brad Johnstone who bucked his way over through the pack. The crowd gamely applauded the All Blacks, as it was to do twice again.

The Welsh singing began in the



Bryan Williams scores for the All Blacks, with Derek Quinnell making the tackle.

stands. Despite superior All Black pressure and rucking, the Barbarians evened the score in the 37th minute after an attack on the right led by captain Derek Quinnell and Rives. Center Roger Hutchings chipped a perfect kick ahead for Mike Slemen to kick on and touch down. Just before half-time, McKechnie kicked a penalty — his only success in six attempts yesterday, including three attempted conversions: 7-4.

Johnstone went off. The New Zealanders later said he had trouble breathing due to recent bronchitis, but his replacement was an extraordinary public relations coup. Because on came John Ashworth, 230 pounds, who three days before had stood twice on the face of Welsh captain J.P.R. Williams, piercing his right cheek with a cleat. The crowd roared in angry surprise — then quickly forgot in the thrill of a great game.

Faith Expectation

The expectation at this point was that the All Blacks would take over and win by 20 points. Instead, the scratch Barbarian pack showed them back in the first scrum of the second half, and a Bennett penalty evened the score for the second time.

New Zealand replied within a minute, flanker Leicester Rutherford scoring after a break by scrumhalf Dave Loveridge and a forward drive completed by lock Frank Oliver. Four minutes later, in the 13th minute of the half and after another 15-man New Zealand orgy of perpetual-motion attacks, Wil-

iams went tight after a scrum and over at last. The four points gave him a career total of 401 for New Zealand.

At 15-7, the avalanche seemed to have begun. Rather than lock up the match, New Zealand played the riskier open game till the end, unconcerned by still another Barbarian interception. Soon, center Jim Reilly dropped the ball as he crossed the line, but the Barbarians were now close. At a tapped penalty, Skrela, impeccably carrying out the second of the Barbarians' three secret penalty plays, passed long to Slemen, who got his second try.

This time Bennett converted, from the far left. It was 15-13 with a quarter hour to go. New Zealand's Stu Wilson slalomed through the startled crowd sang again. Irvine hit the crossbar with a penalty from 53 meters. Bennett scooped

up a loose ball one-handed and at full speed as if his hand were adhesive.

Barbarians ran their hearts out: scrumhalf Bryamore Williams, right wing Elgan Rees, Slemen. In this pressure, Oliver gave up a penalty and Bennett took the kick. "He can't miss this one!" shouted a faceless voice, to make certain: 16-15, the Barbarians ahead, the end near. "Blow that bloody whistle!" And then, shouting to himself and the crowd when McKechnie took a penalty: "Keep your eyes closed!"

McKechnie duly missed. And again two minutes later, in the 39th minute. As the game entered injury time, the Barbarian pack held against the odds in a series of scrums within five meters of its line. New Zealand could not cross. Center Bill Osborne tried a drop.

In the 42d minute, flyhalf Eddie Dunn dropkicked the goal that made it 18-16.

After a 3-month tour, with 17 of their 18 games won, the All Blacks of captain Graham Mourie will go home to a heroes' welcome. Slowly, Europe will try to imitate the New Zealand way of seeming to be everywhere on a rugby field. One step ahead as usual, the Blacks will work to raise back play to the level reached by their forwards.

Barbarians scattered for a moment before the post-match banquet, fended their way back to their hotel through happy masses of autograph hunters on Cardiff's sidewalks. Flat on his back at last, Skrela relived "more attack in one afternoon than you're going to see in a whole international season." It was "terribly hard," he said. And "it was magnificent."

Leads World Cup Standings

Proell Wins 2d Downhill Race

By Samuel Abt

VAL D'ISERE, France, Dec. 17 (UPI) — Annemarie Moser-Proell of Austria easily won the world cup downhill race here today, her second victory in as many downhills this young season, by skiing what she described as "a perfect race, no mistakes, no trouble."

Traveling in bright sunshine over soft snow, Proell was timed in 1:20.28. Evi Mittermaier of West Germany also had what she described as "a perfect race," but her concept of perfection was 28 hundredths of a second slower than Proell's. Third was Bernadette Zurbriggen, 4 more hundredths behind, with Marie-Theres Nadig fourth and Evelyne Diretti fifth. All three are Swiss.

The U.S. women's team had a unanimous off day, placing no higher than Cindy Nelson's 28th in a field of 72 starters. Christin Cooper finished 44th, Jamie Kurlander 51st, Abbi Fisher 52d, Susie Patterson 53d and Tamara McKinney 57th. For some reason, the Americans seemed unable to handle the soft snow, much of which fell yesterday afternoon and last night. The course, 2,000 yards long with a drop of 500 yards, was not reported to be difficult and nobody fell.

Victory today moved her into the

lead for the title, pending tomorrow's activity. Proell has 54 points; Nadig 39 and Perrine Pelen of France 31. All three are strong in the giant slalom.

Relaxed and cheerful, Proell said after she caught her breath that her immediate goal was to do well tomorrow in the giant slalom here and thus win the combined and its bonus points. Her long-range goal, she added frankly, was to win the overall World Cup championship, which has barely eluded her (last two seasons. She was the champion in the five years from 1971 through 1975, retired in 1976, then returned and finished second in 1977 and 1978).

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Observer

Gift Suggestions

By Russell Baker

NEW YORK — A random list of seasonal gift suggestions in the economy of utter inflation:

* For that someone who insists on keeping her copy of *The Yellow Pages* conspicuously bulging on the coffee table, Carlo or Firenze's Fifth Avenue boutique offers a stunning *Yellow Pages* dust jacket. Wrought of the finest ivory with delicate topaz and sapphire inlays, and superbly hinged on hand-worked silver, Carlo's Yellow Pages Dust Jacket turns the shabbiest directorio into a conversation piece that will keep guests in deep discussion long after conversation about Middle East peace treaties has begun to flag. Expensive? Of course, but it's only money and we all know what's that's worth these days, and what's worse, what it will be worth tomorrow.

* Need the perfect fun gift for that fun friend who is never having so much fun as when he is showing off the latest fun thing? Drop in at The Pits on East 61st Street and get him a "wienie rack" by Chumbles of Piccadilly. The idea derives from the game of pool. You simply rank frankfurters in a cluster on any flat surface where people would have fun seeing a lot of hot dogs racked and ready for the break. Forty-five dollars, not including hot dogs or mustard.

* Bachelor or bachelorette, he or she will be delighted to find Marion Brando under the tree. Made of high quality sponge rubber and fornicia and activated by solid-state circuitry, Marion Brando is not only life-sized, but also programmed to walk, sit, talk, sing and eat. For \$250 extra, you can have your Marion Brando programmed to talk while eating an apple. Even without such "extras," however, he makes the ideal gift for the person who wants companionship while watching television. Available at all major electronic-robot novelty shops.

* Into cheese? Who isn't these days? You can either put your money into real estate or cheese, and for that friend who has taken the cheese route Fontina Motors has the solution to your gift prob-

lem. It offers a complete line of cars — limousines, sedans, station wagons, sports cars — made completely of cheese. This eliminates today's expensive repair bills. When your lucky friend's cheese car breaks down, he needn't take it into the shop and listen to some smirking mechanic tell him about the skyrocketing price of gorgonzola. He can simply eat it.

* So you think that glittering couple has everything? Think again. Chances are that no matter how swank that Manhattan apartment of theirs may be, it is still equipped with run-of-the-stove landlord's cockroaches no better than the cockroaches he supplies to his shabbiest Bowery tenements. Timers' of SoHo has the ideal for your upwardly mobile couple and sells them at \$110 per thousand under the brand name of "College Cockroaches." These are cockroaches who have been at the finest universities in the East.

* There is always that difficult party, usually a wife, who wants a surprise. So this year, surprise her. Give her an airplane propeller from Butch's Surplus of Eleventh Avenue. These beautifully crafted airfoils from 1930s Army Air Corps training planes have a thousand uses. They can be mounted in the bedroom, hurled out the window at dog walkers or do not clean up after their poopies or used to stir the soup. When cooking for very large parties Butch's will also provide head mountings so that the propeller can be worn in the horizontal plane atop the skull to create interesting entrances at chic parties.

* What would the holidays be without gifts like the Wooj for that person who wants the flattery implicit in receiving something completely different? Ceramic but edible, the Wooj can be hung on the wall, placed on the floor used for picnics, or wielded effectively for self-defense on the streets. When set out with the garbage it masquerades so effectively as trash that the sanitation man will cart it away without complaint, which is why seasoned gift recipients have acclaimed it as the perfect gift. Available at Manay's Uptown while they last. Price: \$59.95, but purchasers must show 20 labels from Perrier bottles to prove their character is the sort that deserves to be a Wooj.



Baker

Childish Habits

By Judy Klemesrud

NEW YORK (NYT) — No, Delia Ephron was not the biggest brat in the world. Her new book, "How to Eat Like a Child, And Other Lessons in Not Being a Grown-up," just makes it sound that way. She was, she insists, "the kid in school who was a goody-goody; you know — the teacher's pet."

And even though one of her book's funniest chapters is called "How to Torture Your Sister" (save your jelly doughnut from lunch and eat it in front of her two hours later, tell her an invisible man lives under her bed, pretend to eat shaving cream), Miss Ephron says the "worst" thing she can ever remember doing to one of her own three sisters was telling her that her name was not really Amy, but Amelia. Which was, of course, a big fat fib.

"I told her that was the way she would be listed in the telephone book," she says with a smile. "She got very upset. I think she might have cried."

Miss Ephron, now a 34-year-old grown-up, was sitting in a brown wicker rocking chair in her Manhattan brownstone apartment above a Beesburger restaurant. She is the second daughter of Henry and the late Phoebe Ephron, the play-and-screenwriting team ("Take Her, She's Mine," "Carousel," "Desk Set"), and their second daughter to become a writer.

Her 37-year-old sister, Nora Ephron, has published three books and is a contributing

editor to Esquire magazine. Her other sisters are Hallie Touger, 30, who teaches education at Curry College in Milton, Mass., and Amy Ephron, 26, a film producer in Los Angeles.

Pudding

Miss Ephron, who has shorter, curly, dark hair, dark eyes, and is thinner than most fashion models, said she got the idea for her book one night while eating a dish of chocolate pudding.

"I was sitting here, eating it my way," she says, "which means that I make a little hole in the pudding and scoop out all the best parts and save the skin until last. I thought, Gee, I want to write a piece about it."

The piece, called "How to Eat Like a Child," appeared in The New York Times Magazine and resulted in a flood of letters from people wanting to share their childish eating habits.

"One woman sent me six pages on a Malomar," she said. "She had a whole system of dipping it in milk."

While researching her book for Viking (Edward Koren did the drawings), Miss Ephron says, she interviewed friends and friends of friends and children of friends. Her best sources, she said, were people with a lot of siblings, because they tended to have the richest memories of childhood.

"What amazed me was how universal it was, and how awful the sibling torture was," she says. "One man said he locked his sister in the basement, and another said he pushed his sister down the stairs in her baby carriage. My own sister, Hallie, deliberately dropped my baby sister, Amy, one day after my mother walked out of the room. So what I wrote in the book was mild compared to what really goes on."

Privileged

Miss Ephron's childhood was a rather privileged one. She grew up in Beverly Hills, attended the posh Beverly Hills High School, and had a "pretty rich childhood."

She adds, "The only difference was that we thought the Academy Awards were as important as election night."

Since both her parents were witty and valued in others, Miss Ephron says, she felt pressure at an early age to be witty and clever. "There was a constant scurry for attention at the dinner table," she recalls, in a bittersweet tone. "If you said something funny, Father might write it down. It was happy — and grotesque."

Miss Ephron, who graduated from Bar-

Sibling rival Delia Ephron:
"What amazed me was how universal it was, and how awful the sibling torture was."

**How Delia Ephron Bit Into
A Pudding and Pulled Out a Book**

By Judy Klemesrud

hard College, wrote her first books at the age of 27 — two craft books for Simon and Schuster called "The Adventurous Crocheter" and "Glad Rags" both with Lorraine Bodner. She was Delia Brock at the time, having married Dan Brock, whom she met at a Marin Luther King rally in Central Park in 1969. They moved to Providence, R.I., where he was, and still is, a professor of philosophy at Brown University.

They split up in 1975, and Miss Ephron moved back here to try to be a writer. She returned using her maiden name, "because that's really my name, and that's who I am," she says. "And suddenly having distance on the marriage, I didn't feel that close to the name Brock anymore."

Superstar Sister

Miss Ephron had to face the fact that her older sister, Nora, was a writing superstar — a situation that could easily have caused ill feelings on both sides if Nora had felt Delia was trying to cash in on her fame — and if Delia had felt that Nora was not doing enough to help her.

"Nora is practically my best friend!" Miss Ephron says emphatically. "We're very close, and she's always been there for me. There are times when you think, if one more person comes up and says, 'Are you Nora's sister?'"

"Before I started writing, I was scared to try, because of Nora and my parents. But Nora encouraged me. She has looked at my work, and I've looked at hers, too. She's one of the best editors in New York. She'll look at a piece and say just one thing, and the whole piece is better."

Did Nora provide any of the inspiration for the childish pranks in "How to Eat Like a Child"? Delia smiles: "She terrified me with a lobster at the dinner table, telling me it was alive." Pause. "And she fed me shaving cream and told me it was ice cream."

Miss Ephron said that she and her three sisters try to get together every Thanksgiving at their father's apartment here. "It's our one family ritual," she says. "It was my Mother's favorite holiday." (Miss Ephron's father is now married to June Levant, Oscar Levant's widow.)

When the family gathers, one or another of them usually brings up the legend of the missing jelly doughnut. Some years ago, when they were children, someone bought five jelly doughnuts, and each of the four sisters ate one. The next morning, the fifth doughnut was missing.

"We argued for years over who got up in the middle of the night and ate the last doughnut," Miss Ephron says, grinning. "Finally, a few years ago, Amy admitted that she did it."

PEOPLE: Sheikh's Dogs Go to the People

In a hectic five-hour giveaway in Los Angeles, all of the more than two dozen dogs left behind in California when Sheikh Mohammed S.A. al-Fassi of Saudi Arabia gave up residence in Beverly Hills found new homes Saturday. Fassi, who had been paying \$10,000 a month for care of the dogs at kennels in Century City, had ordered them destroyed unless homes could be found for them. But then Pet Orphans, a volunteer home-finding service for animals, entered the picture and made a public appeal for adoptive dog lovers. All of the young sheikh's dogs were pure-bred, a spokesman for the group said, and some were very rare and worth thousands of dollars. Fassi first gained wide publicity when he put painted nude statues in front of his \$2.4-million mansion on Sunset Boulevard.

Salvador Dali said in Paris that he was much too intelligent to be a good painter and that he no longer wanted to be Napoleon. Resplendent in black ermine cloak and waxed moustache, the Spanish painter strode into an ornate Parisian hotel room to pronounce his views on politics, philosophy and art at a rare press conference. "A disaster" was his reply when asked for his views on the development of painting in the last 20 years. He swept aside any suggestion that his flamboyant public life was part of his work, saying: "I am eccentric and concentric. He declared his political beliefs to be a mixture of anarchism and monarchy. Dali, 74, pounded the floor with his short, silver-handled cane and attacked critics of his works, which he said they had succeeded in making obscure.

To the dismay of feminists at Brown University in Providence, R.I., Playboy staff photographer David Chan spent this week eying the school's female students for a future picture layout on "V League women." "I love photographing women because they are the most beautiful things on earth. At this full bloom," says Chan, 41, who has been with Playboy 14 years. Police Chief Angelo Ricci said he would consider arresting any Playboy photographer who shoots pictures of young women for the magazine. "As a woman is like a rose in full bloom," says Chan. "I don't care how many people read [Playboy] or how much [the magazine owner] has." He said taking such pictures might violate the state's new anti-pornography law now being challenged in the State Supreme Court.

— SAMUEL JUSTICE

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